

A CASE STUDY
“Mapping Perception and Penetration Strategy for Life
Insurance in Pune.”
At Canara HSBC OBC Life Insurance Company Ltd.

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Executive summary

India is a country where the average selling of life insurance policies is still lower than many western and Asian countries, with the second largest population in world the Indian insurance market is looking very prospective to many multinational and Indian insurance companies for expanding their business and market share. Before the opening of Indian market for Multinational Insurance Companies, Life Insurance Corporation (LIC) was the only company which dealt in Life Insurance and after opening of this sector to other private companies, all the world leaders of life insurance have started their operation in India. With their world market experience and network, these companies have offered many good schemes to lure all type of Indian consumers but unfortunately failed to get the major share of market. Still the LIC is the biggest player in the life insurance market with approximately 71% market share. But why Indian consumers do not trust on many companies and why the major population of India do not have any life insurance policy or what are the factors plays major role in buying behaviour of consumers towards life insurance policies.

In present Indian market, the investment habits of Indian consumers are changing very frequently. The individuals have their own perception towards various types of investment plans. The study of this research work is focused over consumer's perception on investment towards Life Insurance Services. The objectives of the study are to evaluate the factors

underlying consumer perception towards investment in life insurance policies; and to compare the differences in consumer perception of male and female consumers. The tests that were used for our research activities were- Item to Total Correlation Test, which we applied on 26 items and only one is dropped out, 25 items being accepted. Next was Reliability Test to check the reliability of the items. The result was 0.915. Therefore the items were highly reliable. Then I applied the Factor Analysis Test, and the six factors that came out are Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company- Client Relationship. The consumer's perception towards Life Insurance Policies is positive. It has developed a positive mind sets for their investment pattern, in insurance policies. Still some actions are needed for developing insurance market. The major factors playing the role in developing consumer's perception towards Life Insurance.

Policies are the above mentioned six factors. This research will help in developing the market share, loyalty and further development in insurance sector

KEYWORDS: Bancassurance, Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, Company-Client Relationship

INTRODUCTION

Company name: Canara HSBC OBC Life Insurance Company Ltd.

Type: private

Founded: 16 June, 2008

Headquarter: Canara HSBC OBC Life Insurance Company LTD., orchid Business Park, sector 48, Gurugram, Haryana

CEO: Anuj Mathur

Capital Base: Rs. 950 crore (as on 31st January 2016)

NO. Of Branches: 9000 bank branches of its corporate agents

Corporate agents: Canara Bank LTD.

Oriental Bank of Commerce

HSBC

NO. Of Employees: 2500(approximately)

Business model: BANCASSURANCE

The Company was launched on 16 June 2008 and is a Joint Venture between Canara Bank (holding 51%), HSBC Insurance (Asia Pacific) Ltd (holding 26%), the Asian insurance arm of one of the world's largest banking and financial services groups - HSBC and Oriental Bank of Commerce (holding 23%). Few additional information are as follows:

- The Company operates a bancassurance model
- It has an exclusive access to around 6 Cr customers and a network of 9000 bank branches of its corporate agents.
- The in-depth local market knowledge of Canara Bank and Oriental Bank of Commerce coupled with the considerable insurance experience, product range and proven bancassurance capabilities of HSBC make this an unparalleled union of financial strength, expertise and most importantly, trust.
- To deliver affordable insurance solutions to address the needs of the rural population, the Company has tied up with three Rural Regional Banks (RRBs) - Pragathi Gramin Bank in Karnataka and Shreyas Gramin Bank in Uttar Pradesh in December 2009 and South Malabar Gramin Bank in June 2010.
- The Company has a Resolution Centre (call centre) at the Head Office that caters to the diverse needs of its customers pan India and has a capability to handle calls in 10 different languages.
- The Company is the fastest Indian life insurance company to cross Rs. 500 Cr, Rs. 1000 Cr, Rs. 1500 Cr and Rs. 2000 Cr in weighted premium income till date*.
- The Company through its prudent investment strategy has demonstrated consistent fund performance, exceeding benchmarks across all funds.
- The Company's total capital base currently stands at Rs. 950 Cr (as on 31st January 2016).

Backed by thorough research, they launched a pure bancassurance model, a first in India, with each aspect of the business tailored to the specific needs of the distributing banks including products, training, operational & service support and integration with bank sales processes resulting in an efficient, low cost, distribution model. The bank insurance model (BIM), also sometimes known as bancassurance or allfinanz, is the partnership or relationship between a bank and an insurance company, or a single integrated organization, whereby the insurance company uses the bank sales channel in order to sell insurance products, an arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank's client base.

BIM allows the insurance company to maintain smaller direct sales teams as their products are sold through the bank to bank customers by bank staff and employees as well.

Bank staff and tellers, rather than an insurance salesperson, become the point of sale and point of contact for the customer. Bank staff are advised and supported by the insurance company through product information, marketing campaigns and sales training.

The bank and the insurance company share the commission. Insurance policies are processed and administered by the insurance company.

This partnership arrangement can be profitable for both companies. Banks can earn additional revenue by selling the insurance products, while insurance companies are able to expand their customer base without having to expand their sales forces or pay commissions to insurance agents or brokers.

The Company's business strategy testifies thorough understanding of the market especially with veterans looking for bank partner or scaling up their bancassurance channels.

The formidable distribution strength and in-depth local market knowledge of Canara Bank and Oriental Bank of Commerce coupled with the considerable insurance experience, product range and proven bancassurance capabilities of HSBC make this an unparalleled union of financial strength, expertise and most importantly, trust.

The Company has access to around 60 million customers and a pan-India network of over 8000+ branches of Canara Bank, HSBC and Oriental Bank of Commerce. By selling through the three banks' branches, seeking to seamlessly integrate systems and processes to reduce costs, Canara HSBC Oriental Bank of Commerce Life Insurance aims to pass on the savings to customers through lower charges thus making the Company's policies among the most competitive and accessible in the market.

Contextual Background:-

Industry Scenario

With largest number of life insurance policies in force in the world, Insurance happens to be a mega opportunity in India. It's a business growing at the rate of 15-20 per cent annually. Together with banking services, it adds about 7 per cent to the country's GDP. Gross premium collection is nearly 2 per cent of GDP and funds available with LIC for investments are 8 per cent of GDP. The life insurance sector recorded a new premium income of Rs. 1.38 trillion in a year, i.e. April 2015 to March 2016. Today, the total insurance penetration i.e premiums as a percent of GDP is just over 3.0 in India against a world average of 8.06. The life insurance sector offers about 360 million policies, which count to be the largest in the world. It is expected that the Indian insurance market will quadruple in size over the next 10 years and the life insurance sector is expected to collect more than US \$160 billion. There are a lot of opportunities in the Indian insurance market. Despite being the second highly populous country in the world, Indian insurance market accounts for less than 1.5% of the world's total insurance premium. Yet, nearly 80 per cent of Indian population is without life insurance cover while health insurance and non-life insurance continues to be below

international standards. And this part of the population is also subject to weak social security and pension systems with hardly any old age income security. This it is an indicator that growth potential for the insurance sector is immense.

A well-developed and evolved insurance sector is needed for economic development as it provides long term funds for infrastructure development and at the same time strengthens the risk taking ability. It is estimated that over the next ten years India would require investments of the order of one trillion US dollar. The Insurance sector, to some extent, can enable investments in infrastructure development to sustain economic growth of the country. Insurance is a federal subject in India. There are two legislations that govern the sector- The Insurance Act- 1938 and the IRDA Act- 1999. In India, insurance is generally considered as a tax-saving device instead of its other implied long term financial benefits. Indian people are prone to investing in properties and gold followed by bank deposits. They selectively invest in shares also but the percentage is very small.

Market Scenario

Government's policy of insuring the uninsured has gradually pushed insurance penetration in the country and proliferation of insurance schemes are expected to catapult this key ratio beyond 4 per cent mark by the end of this year, reveals the ASSOCHAM latest paper.

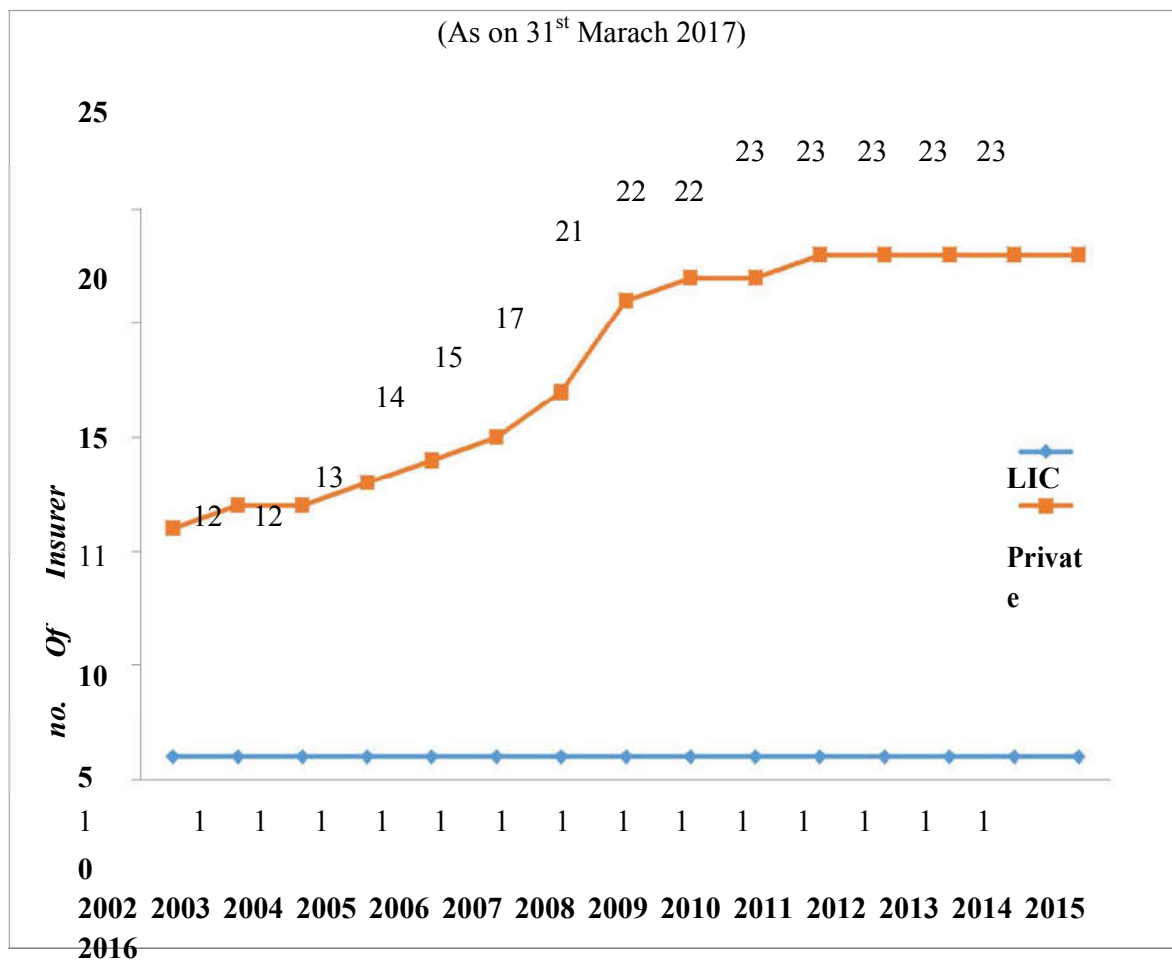
The country's insurance market is expected to quadruple in size over the next 10 years from its current size of US\$ 60 billion. During this period, the life insurance market is slated to cross US\$ 160 billion.

The general insurance business in India is currently at Rs 78,000 crore (US\$ 11.44 billion) premium per annum industry and is growing at a healthy rate of 17 per cent. The Indian insurance market is a huge business opportunity waiting to be harnessed. India currently accounts for less than 1.5 per cent of the world's total insurance premiums and about 2 per cent of the world's life insurance premiums despite being the second most populous nation. The country is the fifteenth largest insurance market in the world in terms of premium volume, and has the potential to grow exponentially in the coming years.

Competitors Analysis

The number of insurers in the life insurance sector has grown from 12 in the year 2002 to 24 at present. Following is the graphical representation of it:

NUMBER OF LIFE INSURANCE COMPANIES



Year (Source: IRDAI)

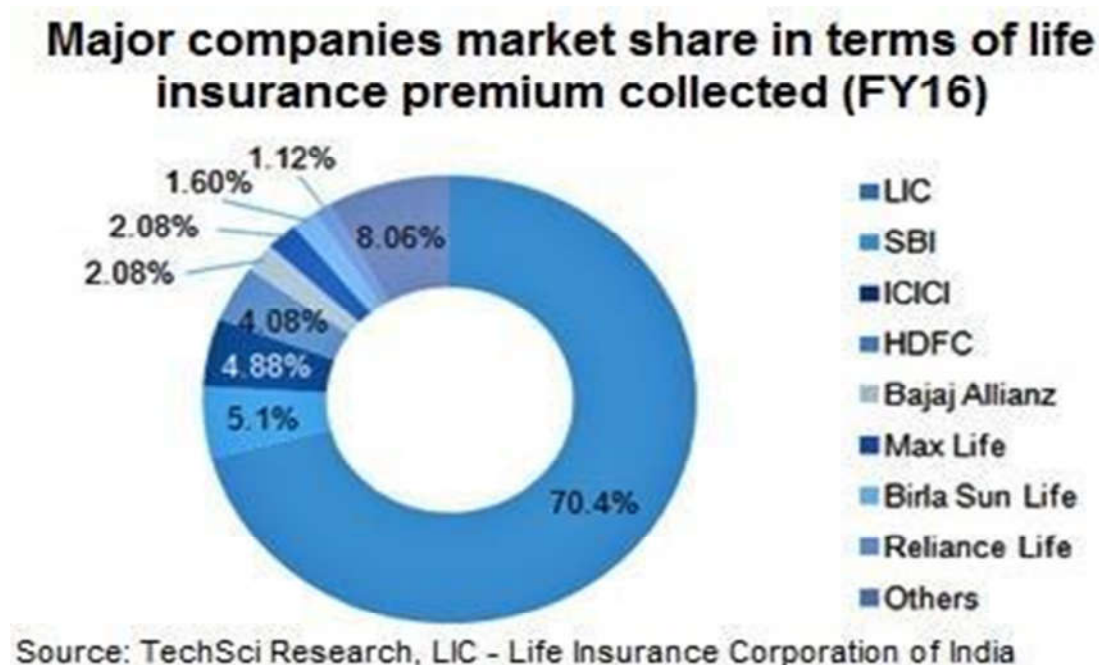
From the above graph, it can be easily be depicted that the companies have sensed the opportunity prevailing in the sector. The immense availability of the opportunity in the field has made many companies to enter into the market. The most important point to be noted here is that they really need to be on their toes to get the things going in their direction.

There are all together 24 companies operating in the life insurance industry in India. Among these, 23 are the private companies and the only public company operating in life insurance industry is LIC of India. Following are the details of the companies:

Insurers	Date of	Year of
	Registration	Operation
Aegon Life Insurance Company Ltd.	27.06.2008	2008-09
Aviva Life Insurance Company Ltd.	14.05.2002	2002-03
Bajaj Allianz Life Insurance Company Ltd.	03.08.2001	2001-02
Bharti AXA Life Insurance Company Ltd.	14.07.2006	2006-07
Birla Sunlife Insurance Company Ltd.	31.01.2001	2000-01
Canara HSBC OBC Life Insurance Company Ltd.	08.05.2008	2008-09
DHFL Pramerica Life Insurance Company Ltd.	27.06.2008	2008-09
Edelweiss Tokio Life Insurance Company Ltd.	10.05.2011	2011-12
Exide Life Insurance Company Ltd.	02.08.2001	2001-02
Future Generali Life Insurance Company Ltd.	04.09.2007	2007-08
HDFC Standard Life Insurance Company Ltd.	23.10.2000	2000-01
ICICI Prudential Life Insurance Company Ltd.	24.11.2000	2000-01
IDBI Federal Life Insurance Company Ltd.	19.12.2007	2007-08
IndiaFirst Life Insurance Company Ltd.	05.11.2009	2009-10
Kotak Mahindra OM Life Insurance Company Ltd.	10.01.2001	2001-02
MaxLife Insurance Company Ltd.	15.11.2000	2000-01
PNB Metlife India Insurance Company Ltd.	06.08.2001	2001-02
Reliance Nippon Life Insurance Company Ltd.	03.01.2002	2001-02
Sahara India Life Insurance Company Ltd.	06.02.2004	2004-05

SBI Life Insurance Company Ltd.	29.03.2001	2001-02
Shriram Life Insurance Company Ltd.	17.11.2005	2005-06
Star Union Dai-ichi Life Insurance Company Ltd.	26.12.2008	2008-09
TATA AIA Life Insurance Company Ltd.	12.02.2001	2001-02
Life Insurance Corporation of India	01.09.1956	1956-57

Following given is the market share of the companies in the life insurance industry:



With 70.4% share LIC continues to be the market leader followed by SBI (5.1%), ICICI (4.88%) and HDFC(4.08). Canara HSBC OBC Life Insurance Company Ltd share in the market comes in the other category, along with the rest fifteen companies.

Canara HSBC OBC Life Insurance Company Ltd. operates mainly in the bancassurance model. Also majority of the revenue comes from it. Canara HSBC OBC Life Insurance Company Ltd is less involved in the agency model and direct selling model. Bancassurance model means selling insurance product through banks. Banks and Insurance Company come up in a partnership wherein the bank sells the tied insurance company's insurance products to its clients.

CASE PROBLEM

The case problem in the following context is to determine the factors that are considered to play important role in achieving higher penetration in Pune Life Insurance market.

Q. What are the factors underlying consumer perception towards investment in life insurance policies?

Q. Identification of two problem areas, whose solution can lead to higher penetration in Pune Life Insurance market?

DATA ANALYSIS

Item to total correlation is applied to check the internal consistency of the questionnaire. The measures are standardized through computation of reliability and validity. Factor analysis is applied to identify the underlying factors.

Z-test is applied to find out the significant differences between male and female investors.

Firstly consistency of all the items in the questionnaire is checked through item to total correlation. Under this correlation of every item with total is measured and the computed value is compared with standard value (i.e. 0.1590). If the computed value is found less than standard value then whole factor/statement is dropped and will be termed as inconsistent.

S. No.	Items	Computed Correlation Value	Consistency	Accepted/ Dropped
1	Awareness about terms and conditions of policy.	0.671575	Consistent	Accepted
2	Provide services on time.	0.651847	Consistent	Accepted
3	Provide satisfactory services.	0.573518	Consistent	Accepted
4	Goodwill of the company.	0.607722	Consistent	Accepted
5	Agent is well informed about policies.	0.640696	Consistent	Accepted
6	Co-operative and friendly agent.	0.598089	Consistent	Accepted
7	Agent respond promptly	0.696914	Consistent	Accepted
8	Proper reminder of installments by agents.	0.531124	Consistent	Accepted
9	Employees responsible towards customers	0.685817	Consistent	Accepted
10	Benefits are met by policy.	0.510702	Consistent	Accepted
11	Selection of highly reputed company.	0.634614	Consistent	Accepted
12	Reputation of the insurance company.	0.582977	Consistent	Accepted
13	Hassle free settlements	0.594282	Consistent	Accepted
14	Personal attention on every costumer.	0.640192	Consistent	Accepted
15	Understand Customer's financial needs.	0.603133	Consistent	Accepted
16	Fulfill its promise towards policy.	0.613243	Consistent	Accepted
17	Provides the claims on time.	0.474994	Consistent	Accepted
18	Settlement of claims easy and timely.	0.569959	Consistent	Accepted
19	Satisfy with relationship to company.	0.621496	Consistent	Accepted
20	Company able to fulfill expectation.	0.594265	Consistent	Accepted
21	Only company I want to associate myself.	0.519161	Consistent	Accepted
22	Purchase more policies from the same company.	0.502876	Consistent	Accepted
23	Suggest friends and family to purchase policy from the same company.	0.540626	Consistent	Accepted
24	Policy benefits benchmarks.	0.62874	Consistent	Accepted
25	Investment in life insurance is more secure than stock market.	0.376874	Consistent	Accepted
26	Purchase further policies from other companies.	0.091102	Inconsistent	Dropped

Here reliability test is carried out using SPSS software and the reliability of the items was measured.

Cronbach's Alpha is 0.819.

It can be seen that the reliability value is more than 0.7. So, the questionnaire is highly reliable.

FACTOR ANALYSIS

Factor Name	Eigen Value		Variable Statements	Loading
	Total	% of Variance		
1. Company Loyalty	8.818	35.273	21. Only company I want to associate myself. 22. Purchase more policies from the same company. 23. Suggest friends and family to purchase policy from the same company. 20. Company able to fulfill expectation. 24. Policy benefits benchmarks.	0.814 0.799 0.790 0.599 0.545
2. Service Quality	2.438	9.753	13. Hassle free settlements 9. Employees responsible towards customers 7. Agent respond promptly 25. Investment in life insurance is more secure than stock market. 19. Satisfy with relationship to company.	0.693 0.631 0.611 0.563 0.537
3. Ease of Procedures	1.458	5.830	17. Provide claims on time. 6. Co-operative and friendly agent. 18. Settlement of claims easy and timely. 5. Agent is well informed about policies.	0.852 0.662 0.651 0.486
4. Satisfaction Level	1.252	5.008	10. Benefits are met by policy. 3. Provide satisfactory services. 16. Fulfill its promise towards policy. 2. Provide services on time. 1. Awareness about terms and conditions of policy.	0.774 0.631 0.575 0.515 0.465
5. Company Image	1.219	4.878	12. Reputation of the insurance company. 4. Goodwill of the company. 11. Selection of highly reputed company.	0.777 0.758 0.428
6. Company- Client Relationship	1.013	4.051	8. Proper reminder of installments by agents. 14. Personal attention on every costumer. 15. Understand Customer's financial needs.	0.778 0.505 0.404

Z-Test

Z-test is applied to find out significant difference between male and female investor's perception towards investment in life insurance policies.

For applying Z-test, mean and standard deviation is calculated, then values are put in

formula to calculate standard error.

Following are the null and alternate hypothesis;

Null Hypothesis (H₀): It states that there is no significant difference between the perception of male and female investors towards investment in life insurance policies.

Alternate hypothesis (H₁): it states that there is significant difference between the perception of male and female investors towards investment in life insurance policies.

GENDER	MEAN	S.D	SAMPLE SIZE	SQUARE OF S.D
MALE	141.04	20.078	1000	403.146
FEMALE	145.94	17.701	1000	313.348
			$Z = 1.5877$	

Since the value of Z is less than the standard value 1.96 at 5% level of significance, so the null hypothesis is accepted. Therefore there is no significant difference between the perception of male and female investors towards investment in life insurance policies.

Status/Learning Objective

During April 2015 to March 2016 period, the life insurance industry recorded a new premium income of Rs 1.38 trillion (US\$ 20.54 billion), indicating a growth rate of 22.5 per cent. The general insurance industry recorded a 12 per cent growth in Gross Direct Premium underwritten in April 2016 at Rs 105.25 billion (US\$ 1.55 billion). The life insurance industry reported 9 per cent increase in overall annual premium equivalent in April-November 2016. In the period, overall annual premium equivalent (APE)- a measure to normalize policy premium into the equivalent of regular annual premium-including individual and group business for private players was up 16 per cent to Rs 1,25,563 crore (US\$ 18.76 billion) and Life Insurance Corporation up 4 per cent to Rs 1,50,456 crore (US\$ 22.48).

India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020.

Decision Alternatives:-**1. Company Loyalty**

This factor includes that this is the only company the consumer wants to associate himself with, in future (0.814), himself would purchase more policies from the same company (0.799), suggest friends and family to purchase policy from the same company (0.790), company able to fulfil expectation, (0.599), Policy benefits benchmarks (0.545). The highest Eigen value lies in this factor 35.213. So it is been considered as the highly contributing factor towards study. Therefore it is clear that company loyalty plays an important role in investment decisions of investors.

2. Services Quality

This factor includes hassle free settlements (0.693), employees responsible towards customers (0.631), agents respond promptly (0.611), investment in life insurance is more secure than stock market (0.563) satisfy with relationship to company (0.537). As we can see, that the Eigen value for factor service quality is 9.753, which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

3. Ease of Procedures

This factor includes the company provides claims on time (0.852), cooperative and friendly agent (0.662), settlement of claims easy and timely (0.651), agent is well informed about policies (0.486). As we can see that the Eigen value for factor ease of procedures is 5.830, which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

4. Satisfaction Level

This factor includes that the suggested benefits of Insurance Policy should be met to the investors(0.774), Company provides them satisfactory services (0.631), fulfil its promise about life insurance policy (0.575), Services should be provided on time(0.515), and awareness of terms and conditions of policies. As we can see, that the Eigen value for factor satisfaction level is 5.008 , which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

5. Company Image

This factor includes that the insurance company should be well known in the industry (0.777), insurance provider should have goodwill in market (0.758), and company of high repute (0.428).As we can see, that the Eigen value for factor company image is 4.878, which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

6. Company-Client Relationship

This factor includes that the agent remind about premium installments (0.778), pay personal attention on every consumer (0.505) and understand consumer's financial needs (0.404). As we can see, that the Eigen value for factor company client relationship is 4.051, which is also a contributing factor towards the study, so it can also be considered as an important factor in the study.

Case Solution

Q. What are the factors underlying consumer perception towards investment in life insurance policies?

ANS:-

- Consumer Loyalty
- Service Quality
- Ease of Procedures
- Satisfaction Level
- Company Image
- Company-Client Relationship

Q. Identification of two problem areas, whose solution can lead to higher penetration in Pune Life Insurance market?

ANS:-

Consumer Loyalty

The highest Eigen value lies in this factor 35.213. So it is been considered as the highly contributing factor towards study. Therefore it is clear that company loyalty plays an important role in investment decisions of investors.

Service Quality

As we can see, that the Eigen value for factor service quality is 9.753, which is also a contributing factor towards the study, so it can also be considered as an important factor in the study

Conclusion

In present Indian market, the investment habits of Indian consumers are changing very frequently. The individuals have their own perception towards various types of investment plans. The study of this research work is focused over consumer's perception on investment towards Life Insurance Services. The objectives of the study are to evaluate the factors underlying consumer perception towards investment in life insurance policies; and to compare the differences in consumer perception of male and female consumers. The tests that were used for our research activities were- Item to Total Correlation Test, which we applied on 26 items and only one is dropped out, 25 items being accepted. Next was Reliability Test to check the reliability of the items. The result was 0.915. Therefore the items were highly reliable. Then I applied the Factor Analysis Test, and the six factors that

came out are Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship.

The consumer's perception towards Life Insurance Policies is positive. It has developed a positive mind sets for their investment pattern, in insurance policies. Still some actions are needed for developing insurance market. The major factors playing the role in developing consumer's perception towards Life Insurance Policies are

Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction Level, Company Image, and Company-Client Relationship.

With largest number of life insurance policies in force in the world, Insurance happens to be a mega opportunity in India. It's a business growing at the rate of 15-20 per cent annually. Together with banking services, it adds about 7 per cent to the country's GDP. Insurance industry has to go ahead. A lot of opportunities are still waiting. This research will help in developing the market share, loyalty and further development in insurance sector.

Limitations of the study

- ☐ The study is confined to Pune only.
- ☐ Study is constrained by limited availability of data.
- ☐ Due to clause of confidentiality, I was unable to share the most relevant and actual data.

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