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Working of non-life insurance companies: A study of national insurance company limited

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Article Info

Abstract

National Insurance Company Limited is one of the oldest insurance companies in India. With the introduction of Universal Health Coverage; it becomes important for public insurance companies to work accordingly. According to WHO, the goal of Universal Health Coverage is to ensure that all people should obtain health services without any financial hardships. This paper shows the profitability trends of National Insurance Company Ltd. so that a brief idea can be drawn regarding future growth possibilities of the company. This paper focuses on the perceptions of the customers of NICL and levels of satisfaction towards the products and services offered.

Introduction

In today's era everyone wants safety and protection. Insurance is an umbrella to protect from risk. Insurance is defined as sharing of the losses of unfortunate among those who are exposed to the same level of risks, suffering and destruction of damage to their properties which are likely to be caused by perils like accident, fire, theft and etc. Insurance is the type of investment which gives the financial security against any uncertainties. Insurance industry is growing industry which started from LIC life insurer and GIC non life insurer companies and due to rise in demand the private sector was allowed into insurance business. Foreign companies can serve in Indian market by joint venture with any Indian companies. However, foreign ownership was restricted not to exceed 26 per cent of foreign investment. The insurance industry in India is regulated by The Insurance Regulatory Development Act (IRDA), which has the object of ensuring effective administration, supervision, regulation and control the business of insurance in India. The insurance industry of India consists of 57 insurance companies of which 24 are in life insurance business and 33 are non-life insurers. Life Insurance Corporation (LIC) is the sole public sector company among the life insurer. There are six public sector insurers among non-life insurers in India. General Insurance Corporation of India (GIC Re) is the sole re- insurer in India. Brokers, surveyors and third party administrators servicing health insurance claims and agents (individual and corporate) are the other stakeholders in the Indian Insurance market.

Insurance provides various benefits to individuals, families, organizations and the country as whole. The insurance sector in India has become an open competitive market where there are many insurance companies serving different types of insurance products and services. By time insurance has gain much importance and now people prefer non life insurance to protect against risk. The development in the insurance sector in India reveals the 360 degree witnessed over a period of almost three centuries.

Various policies offered by national insurance company limited (NICL)

NICL offers different non –life insurance products which mainly covers health and motor insurance policies. Apart from these, it also offers Personal Insurance, Travel Insurance, Commercial Risk Insurance, Rural Insurance and Industrial Risk Insurance in India.

A) National Health Insurance: National Parivar Mediclaim Policy, National Parivar Mediclaim plus Policy, National Mediclaim Policy, National Varistha Medicalim Policy for senior citizens which is even renewable up to the age of 90 years, Janta Accident Policy etc are some of the major insurance policies offered by NICL.

B) Motor Insurance Policies by National Insurance Company mainly includes Private car insurance and two wheeler insurance.

C) Overseas Mediclaim Policy and travel insurance is also included n the policy list of NICL.

Statement of the problem

Many insurance products are been introduced in order to capture the targeted market and get more profit. The services companies which were meant to give service are now focusing on profit. What they want from the insurance company in terms of product and services, whether agents are being trained to understand the needs of a client. Are they offering and suggesting them the policy which actually meets the client needs or just selling the policy. Additional benefits can be bought in the form of riders as cover against deadly disease, surgeries and disability due to accident. This research is trying to investigate, identifying and analyzing the factors which influence the customer perception towards NICL of Warangal region, how the customers make decision. What are the factors being consider before purchasing any general insurance policy. This research will help NICL to identify the customer perception and will help in introducing correct product and services in market.

Objectives of the study

The objective of the study is to identify the customer perceptions towards the select variables with respect to the product and services of NICL.

Research Methodology

This study is an analytical and descriptive research. It is related to the analysis of customer perception towards NICL. In order to conduct this study, customers of NICL are randomly chosen. To meet the objective of the study the self-designed questionnaire for the measure were developed to identify the factors that affect the mindset of individuals. This questionnaire included 18 closed-ended questions regarding the factors on a 5 point likert scale. The primary data is collected from 100 policy holders from Warangal District.

Tools used for data analysis

1. The croanbach alpha reliability method was applied on data collected. To check the reliability of used measures in the current study so that if the similar study would be conducted in the near future, so the results of that study would be reliable or repeatable.
2. Exploratory factor analysis was applied to customer perception to identify underlying factors of measured

used in the current study.

Result and Interpretations

Reliability Analysis

A reliability test was carried out by using IBM SPSS software. Where in Cronbach's alpha reliability test is was applied to check the reliability coefficient, which was computed for the entire statement used in the questionnaire.

Table 1

Reliability Statistics		
Cronbach' Alpha	Cronbach's Alpha Standardized items	No. of items
.828	.830	18

The reliability test revealed the results wherein Cronbach's alpha reliability which was found to be 0.830. The value of Cronbach's Alpha reliability which is more than the standardize value (0.7). Hence, it can be said that all the statement of the questionnaire are valid and the questionnaire can be treated has highly reliable.

Factor Analysis

Factor analysis using the Principal Component method with Varimax rotation. However, before applying factor analysis, the data was tested for its appropriateness. KMO & Bartlett's Test were applied to test the appropriateness of the data. Wherein, the result of The Kaiser – Meyer – Olkin Measure of Sampling Adequacy was found to be 0.767, indicating that the sample was adequate enough to consider the data as normally distributed in the current study.

Table 2

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.767
Bartlett's Test of Sphericity	Approx. Chi-Square	933.034
	Df	15.
	Sig.	.000

The Bartlett's Test of sphericity led a null hypothesis that the item to item correlation matrix is identical matrix. The result of Bartlett's test of Sphericity was evaluated through the Chi-Square Value, the value of Chi-square was found to be 933.034 which is significant at 0.000% level of significance. Therefore, the null hypothesis stating 'item to item correlation as identity matrix' is rejected, indicating that the data is suitable and normally distributed so it can be used for factor analysis.

Table 3

Factor Name	Eigen Value		Variable Convergence	Loading Value
	Total	% of variance explained		
Loyalty	2.311	12.841	Q 7. NICL performs the service in first instance	.422
			Q 12 NICL settles customers' claims without any delay	.625
			Q 13 Guidance or help provided by at the time of taking policy of your NICL	.781
			Q 14 Claim settlement amount	.599
			Q 15 Goodwill	.512
Transparency	2.031	11.286	Q 8 NICL provides the services as promised.	.853
			Q 10 NICL offer diversified products and policies.	.497
			Q 11 Terms of Insurance policies issued by NICL is clear and transparent	.498
			Q 17. NICL reminds you to renew the policy.	.583
Proficiency	1.956	10.868	Q 4 Knowledge of the person dealing with you.	.760
			Q 6 When customers have a problem NICL shows sincere interest in solving it.	.650

			Q 5 Materials associated with the Services (Such as pamphlets or Brochure) are visually appealing	.517
Reliable	2.263	12.572	Q 3 Employees and agents attitude of NICL in guiding claim settlement.	.470
			Q 16 NICL has competitive price of their products and services.	.791
			Q 18 Moral support by the employees and agents of NICL	.782
Convenient Services	1.768	9.823	Q 1 NICL has modern equipment and technology.	.813
			Q 2 The physical facilities of NICL are visually appealing.	.667
			Q 9 NICL insists on error free records (i.e. issuing error-free bills, statements, receipts, contracts, etc.	.507

Description of factor
Loyalty (2.311)
This factor is important factor which explained 12.841 % of variation the factors as Q7(.422), Q12(.625), Q13(.781), Q14(.599) and Q15(.512) are correlated with each other. All these statements reflect loyalty of services of NICL.

Reliable (2.263)
The second factor explained the 12.572% variance. The extracted factors are Q3(.470) Q16(.791) and Q18(.782). The statements indicate the claim settlement of the policy so termed as reliable or trustworthy.

Transparency (2.031)
The third factor explained 11.286% of variances. In this segment the important variables are Q8 (.853), Q10 (.497), Q11(.498) and Q17(.583).The statement indicates the terms and condition of the policy so termed as Transparency.

Proficiency (1.956)
The fourth factor explained 10.868% of variances. In this segment the important variables are Q4(.760), Q6(.650), Q11(.517), Q17(.583). The statement includes state about the ability of the employees, agents and staff. So the factor is termed as the proficiency.

Convenient services (1.768)
The fifth factor explained the 9.823%of the variance. The variable of this factor are Q1 (.813), Q2(.667) and Q9(.507). The statement indicates the technology so it is termed as convenient services.

Conclusion
The competitive climate in the Indian insurance market has changed dramatically over the last one decade. With the rise in risk and rapidly increasing in the expenses now a day's people prefer to take insurance to financial secured themselves from the uncertainties. After applying the test it can we conclude that Loyalty, Transparency, Reliable, Proficiency and convenient services are the factors which affect the Customer perception towards General Insurance. There is no difference in the perception of the customer towards general insurance across gender, sector and occupation. The insurance companies should consider the above factors before taking decision.

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