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Recitation of Public and Private Sector General Insurance Industry in Structural Equation Model (SEM) Approach

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Abstract

This study will help analyze the Recitation of the two types of insurance companies and to take remedial measures in the sphere of their insurance products. Today, in this liberalized world, in order to sustain good Recitation, the insurance companies have to ensure quality products at a competitive price. Companies can lower the price of the product by reducing the cost. Their survival depends upon their policyholder policyholder's recitation of public and private sector general insurance industry in Structural Equation Model (SEM) approach in the chosen study area. The study has to evaluate the policyholder's perception towards non-life insurance industry.

Key words: People, Protection, Loss, Risk, Premium

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1.1 Introduction

This growth traces its origin in the introduction of economic liberalization in the early 1990's, which has equipped India to develop its economic potential and substantially raised the standard of living of its people. A well developed country provides long-term funds for infrastructure development and concurrently strengthens the risk taking ability of the country. Insurance provides monetary protection against the loss arising out of occurrence of an uncertain occasion. A person can avail this protection by paying premium to an insurance

company. A pool is created through contributions made by persons seeking to protect themselves from common risk. Premium is collected by insurance companies, which also act as trustee to the pool. Any loss to the insured in the case of happening of an uncertain event is paid out of this pool. Insurance works on the basic principle of risk-sharing. A great advantage of insurance is that it spreads the risk of a few people over a large group of people exposed to risk of similar type.

1.2 Review of Related Literature

Gopal Krishna et al.,(2008) in their paper focused on service quality in the insurance sector. The research was carried out on stratified random sampling basis with a sample size of 618. The procedure adopted was to distribute 2500 questionnaires. Their findings were numbers of factors were forced and only factor loading above 0.4 were considered. On the other hand, as several of the insurance providers are multi-national companies having their presence felt in several countries, the service provided by them is a manifestation of the experience gained by them across the globe. **Govind Johri, (2009)** in his articles discussed customer satisfaction with regard to non-life insurance industry. The competitive environment is of knowing profile opportunities in managing services through tangibilisation, empathy, and restoration of one's presence and Recitation by overcoming inconsistencies in customer service management in the organization. **Kamal Gulathi, et al., (2012)** in their research study attempted to find out the gap between perceptions and expectations of the customers, regarding the services provided by insurance companies in India. It also described E-CRM and customer satisfaction in insurance industry. The customers were 21.3percent followed by four policies. Length of service availed by insurer was 30-39(34.8%) years followed by less than 20 years (33%). Customer satisfaction and formation of marketing strategies to draw more and more customers towards the insurance provider are now becoming a key issue in order to service in the competitive insurance industry for every insurance company. **Kavitha, Tnr., Latha, A and Jamuna, S. (2012)** in their articles on the non-life insurance companies, part of financial sector, remarked that they were expected to show profits; though they were service-oriented organization. It was found from the analysis that majority (62.8%) respondents were satisfied towards development officer's attitude in helping the policyholders' at the time of making claims in non-life insurance policy. The premium income under these two schemes constituted more than 85 percent of the total premium income for all the four schemes. From this study it could be predicted that the above satisfying factor induced the policyholders to purchase the policies non-life insurance. **Narayanan.A.G.V., and Saravanan.T.P (2011)** in their research paper highlighted the

factors influencing the selection of cattle and crop insurance and insurance companies. The primary data were collected from 120 former respondents in the study area. For collecting the first-hand information, respondents were chosen by convenient sampling method. The data were analyzed by using percentage analysis, ANOVA test, and Chi-square test. This also signifies the wonderful potential of research studies on agriculture insurance in the country, which can improve the adverse impacts that such uncertainties would have on the individual farmers. **Reetha Dinesh (2012)** in her research article stated that the key to improving accessibility was not simply replacing traditional channels. The researcher focused on sales, marketing and customer service activities, which often operate along fundamentally different lines in various public sector insurance companies. This paper made an attempt to explore how public sector CRM Methods could adopt and subsequently adapted. **Selvakumar. K and Vijayakumar. S (2013)** undertook a study that was an empirical one based on the survey method. A policyholder has freedom to take up a particular policy from any one of the insurance companies. The agent appointed by the insurance company canvasses the people for taking policies. Out of the nine factors eight factors were significant, one of the factors. Therefore, the study was undertaken with reference to Madurai region. **Shreedevi. D and Manimegalai. D (2013)** in their study attempted to compare the Recitation of public and private non-life insurance companies in terms of certain parameters. The data was basically secondary in nature collected from the annual reports of IRDA, from the various journals, research articles and websites. The growth rate of growth was 55.36 percent in 2004-05 and recorded highest growth rate of 61.24 percent in 2006-07 and it decreased to 24.67 percent in 2010-11. Compared to public sector companies, the growth rate of net incurred claims of private non-life insurance companies was high. A large number of studies have been conducted on life insurance sector at the international and the national levels, researchers have mainly emphasized on life insurance sector. Even though a few studies have been conducted on the financial Recitation of the non-life insurance sector in the past five years, worthwhile research relating to the measurement of the overall Recitation of the non-life insurance companies in the current period has not been conducted, making a comparative study on Recitation of public sector and private sector non-life insurance companies necessary.

1.3 Statement of the Problem

The policyholders become confident of not losing much when an accident or uncertainty takes place. On the report of the insured about an accident the company officials

send surveyors to assess the loss caused to the policyholders. The surveyor submits a report to the insurance company as to the particulars of damage like the quantum of goods or machinery lost and their value. The company, after studying the report of surveyor, takes necessary steps to settle the claim. The claim made by the policyholder is not always fully admitted. The insurance company takes into consideration, the age of the machinery/ contraction/ installation of the asset. If there are goods, their present worth is noted. The claim of the policyholder is settled as per the established guidelines obtainable with the insurance company concerned. Though much has been studied about the functioning of these public sector and private non-life insurance companies, a detailed analysis on the comparative study of the opinion on the recitation of public and private sector general insurance industry in Structural Equation Model (SEM) approach has not been made so far.

1.4 Significance of the Study

The need for development of health insurance is thus once again recognized and it will now be possible to introduce a variety of insurance schemes similar to those in the overseas markets and as per the demand of the clients in our own market. This study will help analyze the Recitation of the two types of insurance companies and to take remedial measures in the sphere of their insurance products. Today, in this liberalized world, in order to sustain good Recitation, the insurance companies have to ensure quality products at a competitive price. Companies can lower the price of the product by reducing the cost. Their survival depends upon their policyholder policyholder's recitation of public and private sector general insurance industry in Structural Equation Model (SEM) approach in the chosen study area.

1.5 Objectives of the Study

The specific objectives of the study are as follows:

- i. To measure the policyholder's recitation of public and private sector general insurance industry in Structural Equation Model (SEM) approach.
- ii. To offer suitable suggestions and recommendations for further improvement of the Recitation of the Public and Private Sector non-life insurance Companies.

1.6 Hypotheses of the Study

- i. The policyholders' awareness, buying behavior, satisfaction level of private sector is greater than the public sector.

1.7 Methods of Data Collection

The study is based on both primary and secondary data. The primary data were collected from the policyholders who had taken non-life insurance policies such as Motor

insurance policy, Fire insurance policy, and Health insurance policy from any branch of both public and private sector non-life insurance companies in Salem District, namely, New India, United India, ICICI Lombard, Bajaj Allianz, IFFCO Tokio non-life insurance Companies.

The Secondary data were collected from the annual reports like IRDA, GIC, annual reports of selected non-life insurance Companies, Magazines, various journals related to insurance, Technical Books, Edited volumes, and other articles from non-life insurance companies and other records published by the Salem district regional office and divisional offices of non-life insurance companies situated at Salem District, Tamilnadu. The researcher also perused many text books, reports, websites, newspapers and journals containing useful information for collecting secondary data.

1.8 Sampling Method

There are four public sector companies and fifteen private sector non-life insurance companies operating in India. The structured interview schedule used to collect the primary data from the policyholders of motor insurance, fire insurance, and health insurance portfolios. These three portfolios were selected based on premium underwritten by general insurers in India (vide table 1.2). The researcher were approached the non-life insurance companies' authorities for collecting total number of policyholder in selected area. 500 policyholders were approached to collect the required data for the study. The researcher could not receive information 50 from the respondents. The researcher had no other option than to fix the samples at 450. 301 policyholders were taken from public sector non-life insurance and 149 policyholders were taken from private sector non-life insurance. The policyholders were selected on the basis of non-random sampling by following convenience sampling method. The selected respondents belong to different fields and hence the study covers a cross section of society such as Teachers, Lawyers, Doctors, Engineers, Businessmen, and Farmers in Salem District, Tamilnadu.

Table 1.1 Premium Underwritten by General Insurers (Public and Private) in India

Sl.No.	Segments	2010-11 (Rs. in Crores)
1.	Motor	18180.52
2.	Health	9944.03
3.	Fire	4555.1
4.	Others	9896.78

Source: IRDA Annual Report 2010-11

1.9 Period of the Study

The whole spectrum of the research work was divided into eight levels and the researcher had worked on it. The researcher had planned the research at various levels during the period spanning from 2011 to 2014.

1.10 Statistical Techniques for Analysis

The collected data were analyzed with reference to each of the objectives of the study. The multivariate techniques such as Structural Equation Model (SEM) for assessing overall recitation of the selected non-life insurance companies in study area were employed.

1.11 Structural Equation Model on Recitation

Structural Equation Modeling (SEM) is a statistical technique for testing and estimating causal relations using a combination of statistical data qualitative causal assumptions.

Chi square test of goodness of fit

Minimum was achieved

Chi square = 15.715

Degrees of freedom = 2

Probability = 0.000

The following values indicates the level of fitness of the model developed. cmin/df which is 15.715 (>2),

Comparative Fit Index (CFI) which is 0.978 (>0.5) and Root Mean Square Error Approximation (RMSEA) which is 0.124 (close to zero) states that the model is moderately fit.

The Variables used in the Structural Equation Model are

I. Observed, Endogenous Variables

- i. Service Satisfaction
- ii. Company Satisfaction
- iii. Recitation

II. Observed, Exogenous Variables

- i. Communication
- ii. Policy Selection

III. Unobserved, Exogenous Variables

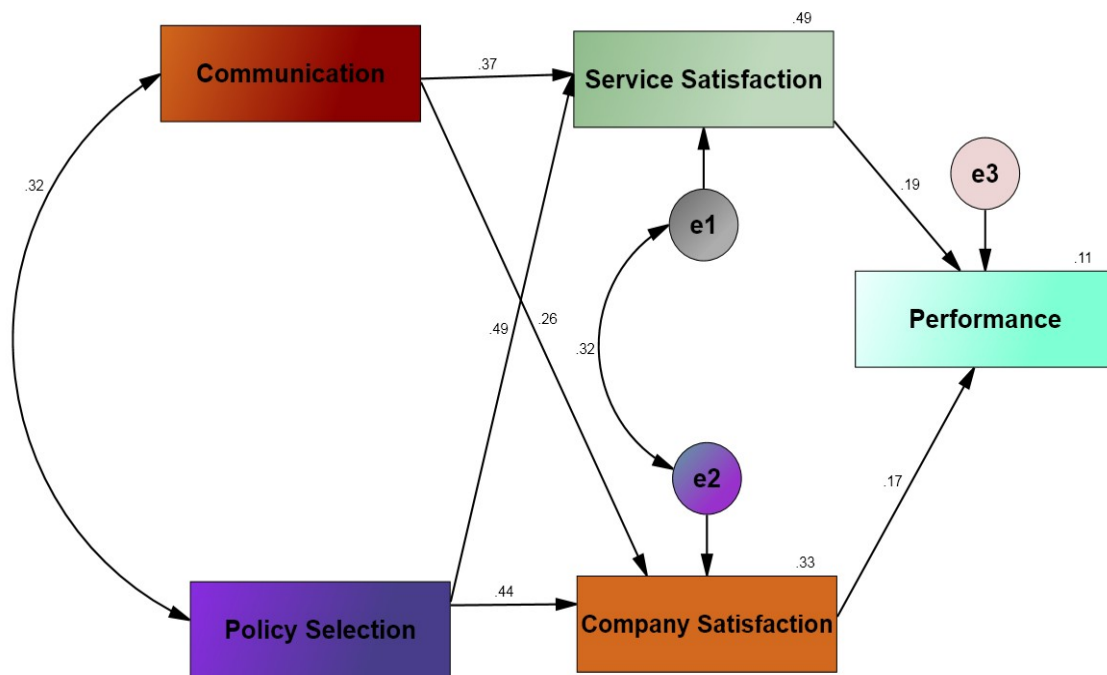
- i. e1: Error term for Service Satisfaction

- ii. e2: Error term for Company Satisfaction
- iii. e3: Error term for Recitation

Table 1.2 Variables in the Structural Equation Model (SEM)

No. of variables in this model	8
No. of observed variables	5
No. of unobserved variables	3
No. of exogenous variables	5
No. of endogenous variables	3

**Chart 1.1 Structural Equation Model on Recitation
Unstandardised Estimates**



**Chart 1.2 Structural Equation Model on Recitation
Standardised Estimates**

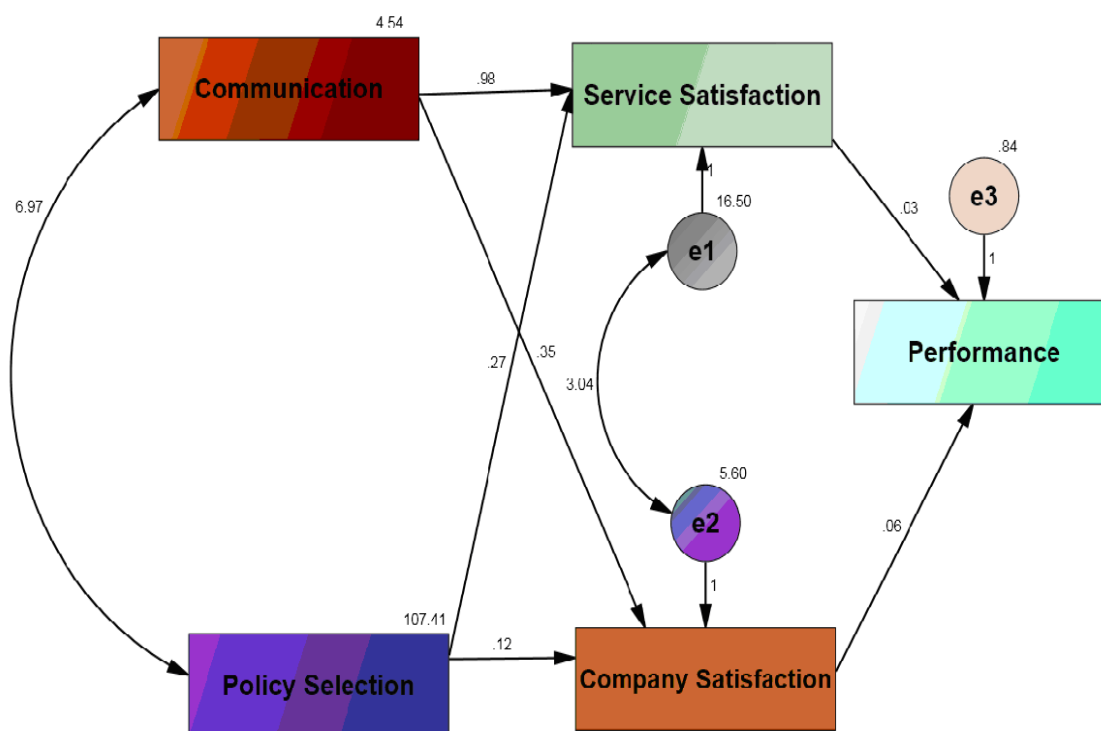


Table 1.3 Indicators in the Structural Equation Model Analysis

Indicators		Unstandardized Path Coefficient	Standard Error	Standardized Path Coefficient	Critical Ratio	'P' Value	
Service Satisfaction	<-- -	Communication	0.979	0.095	0.368	10.325	<0.001**
Company Satisfaction	<-- -	Communication	0.267	0.019	0.488	13.701	<0.001**
Company Satisfaction	<-- -	Policy Selection	0.351	0.055	0.258	6.354	<0.001**
Service Satisfaction	<-- -	Policy Selection	0.124	0.011	0.442	10.897	<0.001**
Recitation	<-- -	Service Satisfaction	0.033	0.009	0.194	3.525	<0.001**
Recitation	<-- -	Company Satisfaction	0.057	0.018	0.172	3.117	0.002**

** Significant at 0.01% Level

The above table 1.3 indicates the coefficient of Communication is 0.979 represents the partial effect of service satisfaction towards non-life insurance, holding the other variables as constant. The estimated positive sign implies that such effect is positive that communication would increase by 0.979 for every unit increase in Recitation of non-life

insurance and this coefficient value is significant at 1% level. The coefficient of Communication is 0.267 represents the partial effect of company satisfaction towards Recitation of non-life insurance, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Policy selection would by 0.267 for every unit increase in company satisfaction towards Recitation of non-life insurance and this coefficient value is significant at 1% level. The coefficient of policy selection is 0.351 represents the partial effect of company satisfaction towards Recitation of non-life insurance, holding the other variable as constant. The estimated positive sign implies that such effect is positive that policy selection would increase by 0.351 for every unit increase in company satisfaction towards Recitation of non-life insurance and this coefficient value is significant at 1% level. The coefficient of policy selection is 0.124 represents the partial effect of service satisfaction towards Recitation of non-life insurance, holding the other variables as constant. The estimated positive sign implies that such effect is positive that policy selection would increase by 0.124 for every unit increase in service satisfaction towards Recitation of non-life insurance and this coefficient value is significant at 1% level. The coefficient of service satisfaction towards Recitation of non-life insurance is 0.033 represents the partial effect of Recitation towards non-life insurance, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Recitation would increase by 0.033 for every unit increase in Recitation of non-life insurance and this coefficient value is significant at 1% level. The coefficient of company satisfaction towards non-life insurance is 0.057 represents the partial effect of Recitation of non-life insurance, holding the other variables as constant. The estimated positive sign implies that such effect is positive that Recitation would increase by 0.057 for every unit increase in Recitation of non-life insurance and this coefficient value is significant at 1% level.

Table 1.4 Model Fit Summary

Variables	Value	Suggested Value
Chi-square value	15.715	'p' Value >0.05
P value	<0.001	≤ 5.00
GFI	0.986	>0.90
AGFI	0.998	>0.90
CFI	0.978	>0.90
RMR	0.180	<0.08
RMSEA	0.124	<0.07

From the above table 6.4.2 it is found that the calculated 'p' value is 15.715 which have greater than 0.05 which indicates perfectly fit. At this point, GFI (Goodness of Fit

Index) value and AGFI (Adjusted Goodness of Fit Index) value is greater than 0.9 which represent it is a good fit. The calculated CFI (Comparative Fit Index) value is 1 which means that it is a perfectly fit and also it is found that RMR (Root Mean Square Residuals) and RMSEA (Root Mean Square Error of Approximation) value is 0.124 which is less than 0.07 which indicated it is perfectly fit.

1.12 Suggestions and Recommendations

Based on the finding of the study, and the observation of the researcher, the following suggestions and recommendations are offered to improve Recitation, opinion of non-life insurance policies and ratio of buying behaviour. A few suggestions have emanated from the study. Certain other suggestions and recommendations have also been made to improve the Recitation of non-life insurance and to make non-life insurance policies more marketable. Even though the Insurance companies have customer service sections and grievance redress officers, they can give suitable training. It seems that these sections were created mainly due to the formalities that for enhancing their Recitation and efficiency are to be complied with as per the guidelines of government of India instructions. These sections need to be rejuvenated and given due importance. The non-life insurance companies have concentrated mainly on personal accident and mediclaim scheme for three years. Since the premium income under these two schemes constitutes more than 85% of the total premium income for the entire four schemes, it is recommended that the company need to focus its attention on the other two schemes, namely, personal accident and workmen compensation schemes in the implementation process in order to have balanced premium income in the sphere of health insurance. The target achievement rate was not significant in case of medical and personal accident schemes and there was poor rate in the case of personal accident and workmen compensation schemes. Therefore, the company has to concentrate more on this in the future years. The non-life insurance companies in the study area may better concentrate towards young and middle aged customers and establish a good association by providing an attractive service. The young respondents' relationship with the insurance company can last longer due to their age factor. The middle aged customer should also get the same support and guidance like the young policyholders whenever they approach to avail their services in from the staff of the selected non-life insurance companies, in the study area.

1.13 Limitations of the Study

The present study has the following limitations:

- i. The Sample Collected has been restricted to 450 samples.

- ii. The bias in samples could not be controlled because policyholders' attitudes differ.

1.14 Conclusion

The study has yielded a metrics to evaluate the comparative Recitation of public and private sector non-life insurance companies. The metrics is validated and tested in an environment where several national and international non-life insurance companies are vying to capture the small scale industries non-life insurance market. The study has revealed the pitfalls in the Recitation such as awareness, buying behaviour, communication, policy selection, satisfaction level etc., This requires immediate consideration, as it is against the recommended, practices of providing service. Social responsibility is also a dimension which needs to be strengthened by the insurance providers. However, as several of the insurance providers are multi-national companies having made their presence felt in several countries, the service provided by them is a reflection of the experience gained by them across the globe, and in that sense, the findings may be generalized to a great extent.

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