

RETAIL INVESTOR'S BEHAVIOUR TOWARDS VARIOUS LIFE INSURANCE POLICIES OF LIC WITH SPECIAL REFERENCE TO CUDDALORE TOWN



Management

KEYWORDS: Life insurance, Risk coverage, Medical Claim, Policy related attributes.

S.Uma Priyadharshini

Research Scholar, Jamal Institute of Management, Jamal Mohamed College (Autonomous), Trichy.

Dr.S.A.Lourthuraj

Associate Professor, Jamal Institute of Management, Jamal Mohamed College (Autonomous), Trichy.

ABSTRACT

Human Life involves lot of risk. Man always strives hard to reduce risk. As part of it, people are investing in life insurance policies so that they can secure their families against uncertain events. Insurance is the primary risk management device that protect against risks, hazards or dangers to life and property. Life Insurance Corporation of India is one among the successful public sector organization in India with 78% market share in life insurance sector. With the opening up of the insurance sector, a number of private players entered into the market. The new players with their focused approach and need based selling captured significant chunk of the insurance market. With this background a survey was conducted among 100 policy holders of LIC in Cuddalore town. The study was conducted by collecting responses from the investors with the help of structured questionnaire. The sampling technique used in the study was simple random sampling. The tools used in the study are percentage analysis, Anova & Weighted average method. From the study it is found that the performance of LIC is satisfactory. Through this study suitable suggestions are made to the companies to improve policy holder's satisfaction and attract investment in insurance sector.

INTRODUCTION TO THE TOPIC

Insurance is one of the few businesses which affect all walks of life. Insurance industry occupies a prominent place among the various financial services that operate in the world. Because of growing complexity of life, trade and commerce, individuals as well as business firms are turning to insurance to manage various risks.

Insurance can be defined as "a legal contract between two parties whereby one party called the insurer undertakes to pay a fixed amount of money on the happening of a particular event, which may be certain or uncertain". The other party called the insured pays in exchange a fixed sum known as premium. The insurer and the insured are also known as assurer, or underwriter, and assured, respectively. Thus Insurance helps a person not only to survive at this point of time but also to recover his loss and continue his life normally, which would otherwise be absurd.

Life insurance Corporation of India (LIC)

Life Insurance Corporation of India (LIC) was formed in Sep 1956 after the Parliament of India passed the Life Insurance Corporation Act in Jun 1956. The company was created with the objective of spreading life insurance more widely, especially to reach all the insurable people in the rural areas and provide them with adequate financial cover at a reasonable cost. Apart from its corporate office, LIC had five zonal offices, 33 divisional offices and 212 branch offices in 1956. The nature of life insurance contracts being long-term coupled with the need to provide a variety of services during the term of the policy, LIC re-organized itself by opening a number of new branch offices. After its re-organization, servicing functions were transferred to branches which were converted to accounting units.

Objectives:

- Spread life insurance widely and in particular to the rural areas and to the socially and economically backward classes with a view to reaching all insurable persons in the country and providing them adequate financial cover against death at a reasonable cost.
- Maximize mobilization of people's savings by making insurance-linked savings adequately attractive.
- Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.

Operations

As on Mar 2008, LIC had 2,048 fully computerized branch offices, 109 divisional offices, eight zonal offices apart from its corporate office. LIC's network connects all the branches through wide area network. The company also has tie-ups with certain banks and service providers to offer on-line premium collection facility in select cities. Besides, ECS and ATM premium payment facility to its customers, the company has also commissioned IVRS and information centers at Mumbai, Ahmadabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi and Pune.

Products & Services

LIC offers a wide array of insurance products to its customers such as insurance plans, pension plans, unit-linked plans, special plans and group scheme. During FY08, the company introduced certain new products such as *Profit plus*, *Fortune plus*, *Jeevan Akshay*, *Jeevan Amrit* & *Amulya Jeevan*.

RESEARCH OBJECTIVES:

- To study the retail investors behavior towards Life Insurance Policies of LIC.
- To know the level of awareness of investors towards various insurance policies.
- To Analyze the Objectives of investing in LIC
- To Determine the Factors influencing the investment in LIC
- To offer give Valuable suggestion to the LIC for the betterment of its services.

LITERATURE REVIEW

Walter and Thomas in their book (2013)- "safeguarding life insurance proceeds" discussed the important aspects to be kept in mind by an insurance company to safeguard the money collected from insuring public. The authors adopted the policyholder's point of view while suggesting ways to safeguard the life insurance business.

Prof. Bhagabat Barik, Asst. Professor, Marketing, Innovation-The Business School, Khurda, and Bhubaneswar(2012) reviewed customer expectation about insurance product in Indian Life Insurance Industry and concluded that Life Insurance sector has a lot of potential both in terms of sales, revenue and employment generation and difficult to estimate the required customer expectation. Customers realize two basic types of expectation such as desired and adequate service.

Singh Binod Kumar (2010) with increase in population and income

there is a wide scope in insurance sector and it was found that LIC plays an important role and has maximum share in this sector. Recently banking sector has also moved towards insurance sector since they would get better dividends than the commission they would get by entering into partnerships with other major insurance market players

Dr.P.Sheela and G.Arta (2009) stressed that the insurance companies have to understand the changing needs of customers. They have to develop viable and cost-effective distribution channels, build consumer awareness and confidence which will together contribute in further strengthening the insurance business in India. Revealed that though majority of the respondents are aware of life insurance and its significance, only 41.7% of them have opted for insurance coverage. The study indicated that saving element was the main element that made them to purchase life insurance policies.

Richa Vohra, MBA, (2008- 09). The customer perception towards the life insurance providers and their product varies with their income and age group. The buying of Life Insurance policies is dependent on income. Unit linked life insurance policy is preferred the most. All the insurance company must advertise more in the market because not all people know more about life insurance policy. Most number of people wants guaranteed returns so company must focus on this for the customer investment. Most of the respondents purchase insurance policy through agents.

Girish Kumar and Eldhose (2008), published in insurance chronicle ICFAI monthly magazine august 2008 in their paper titled "customer perception on life insurance services: a comparative study of public and private sectors, well explained the importance of quality services and its significance in raising customer satisfaction level.

RESEARCH METHODOLOGY:

The study is a descriptive study. Descriptive research is essentially a fact finding related largely to the present, abstracting generations by cross sectional study of the current situation. The study is based on collection of data from both primary and secondary sources. Primary data is collected from well-structured questionnaire; Secondary data is obtained from various published and unpublished records, books, journals. Simple random sampling method was followed for collecting the sample. 100 samples were selected for the study from Cuddalore town. The statistical tools used for analysis are as follows Percentage Analysis Method, Weighted Average Method, one way ANOVA.

ANALYSIS

WEIGHTED AVERAGE METHOD FOR OBJECTIVES OF INVESTING IN LIC:

OBJECTIVES	R1	R2	R3	R4	R5	Total
Risk Coverage	19	33	27	14	7	100
Tax Reduction	10	4	15	27	44	100
Medical Benefits	35	29	12	12	12	100
Children education /marriage	20	15	17	27	21	100
Retirement benefits	16	19	29	20	16	100
Total	100	100	100	100	100	

OBJECTIVES	R1(5)	R2(4)	R3(3)	R2(2)	R1(1)	Σwx Total	ΣwxΣw Average	Rank
Risk Coverage	95	132	81	28	7	343	68.6	2
Tax Reduction	50	16	45	54	44	209	41.8	5
Medical Benefits	175	116	36	24	12	363	72.6	1

Children education /marriage	100	60	51	54	21	286	57.2	4
Retirement benefits	80	76	87	40	16	299	59.8	3

WEIGHTED AVERAGE METHOD FOR POLICY RELATED ATTRIBUTES IN LIC

Attributes	R1	R2	R3	R4	R5	R6	R7	R8	TOTAL
Diversified Schemes	4	15	19	12	17	21	7	5	100
Innovative schemes	11	18	17	18	11	7	10	8	100
Mode of renewal	6	9	10	12	15	17	16	15	100
Minimum investment	42	13	11	10	9	8	5	2	100
Accessibility services	12	14	9	19	17	6	13	10	100
Maturity Benefit	21	23	25	11	8	4	5	3	100
Transparency	2	5	5	10	10	15	18	35	100
Processing Charges	2	3	4	8	13	22	26	22	100
TOTAL	100								

Attributes	R1 (8)	R2 (7)	R3 (6)	R4 (5)	R5 (4)	R6 (3)	R7 (2)	R8 (1)	Σwx Total	ΣwxΣw Average	Rank
Diversified Schemes	32	105	114	60	68	63	14	5	461	57.62	5
Innovative schemes	88	126	102	90	44	21	20	8	499	62.38	3
Mode of renewal	48	63	60	60	60	51	32	15	389	48.62	6
Minimum investment	336	91	66	50	36	24	10	2	615	76.88	1
Accessibility services	96	98	54	95	68	18	26	10	465	58.12	4
Maturity Benefit	168	182	138	55	32	12	10	2	599	74.88	2
Transparency	16	35	30	50	40	45	36	35	287	35.88	8
Processing Charges	16	21	24	40	52	66	52	22	293	36.62	7

ONE WAY ANOVA BETWEEN OCCUPATION AND AWARENESS ABOUT THE POLICIES

Null Hypothesis (H0):

There is no significant difference between Occupation and Awareness about the policies of LIC.

Alternative Hypothesis (H1):

There is significant difference between Occupation and Awareness about the policies of LIC.

Occupation	Awareness about the Policies						Total
	Advertisement	Media	Agent	Brochures	Friends	Relatives	
Private Employee	2	5	14	4	3	7	35
Government Employee	1	1	12	0	3	4	21
Businessman	3	2	5	2	5	3	20
Agriculture	1	1	5	0	0	0	7
Retired	0	0	4	0	0	1	5
Others	1	2	6	1	1	1	12
Total	8	11	46	7	12	16	100

Variance	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6.034	5	1.207	.412	.040
Within Groups	275.526	94	2.931		
TOTAL	281.560	99			

Inference: The observed value 0.040 is less than the P value 0.05, so the alternative hypothesis is accepted

ONE WAY ANOVA BETWEEN INCOME LEVEL AND MINIMUM INVESTMENT IN LIC

Null Hypothesis (H₀):

There is no significant difference between income level and minimum investment in LIC policies

Alternative Hypothesis (H₁):

There is significant difference between income level and minimum investment in LIC policies.

Monthly Income * minimum investment Cross tabulation

Monthly Income	Minimum investment								Total
	8	1	2	1	1	1	0	2	
Less than 10000	8	1	2	1	1	1	0	2	16
10001-20001	18	5	7	3	7	2	6	0	48
20001-30000	9	6	4	4	3	3	1	0	30
30001-40000	1	1	0	0	1	1	0	0	4
above 40001	0	0	1	0	1	0	0	0	2
TOTAL	36	13	14	8	13	7	7	2	100

Monthly Income	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	6.634	7	.948	1.333	.237
Within Groups	36.546	92	.711		
Total	43.180	99			

Inference: The observed value 0.237 is greater than the P value 0.05, so the null hypothesis is accepted

RESULTS AND DISCUSSIONS:

From the above study it was found, majority of the respondents belong to the age group of 35-45 years and were male. It was found that 79% of respondents are married and the monthly income of respondents was between Rs.10001-20001. Most of the respondents were aware about the policies through the Agents of LIC. From the weighted average it was found that objective of investors for investing in LIC is for medical benefits and they prefer LIC because it facilitates minimum investment. From Anova it is concluded that there is significant difference between occupation and level of awareness on the policies of LIC and also there is no significant difference between income level and amount of minimum investment. As the study reveals that the investors get to know about the policies only through agents, the LIC can create awareness by using the other medias like social networking sites so that all the schemes will reach a huge number of investors. From the study it is found that policy holder's prefer LIC for medical claim policy, so it is suggested that the LIC can strengthen the other schemes in order to attract investment in other schemes also.

CONCLUSION

Life insurance is not simply a business proposition. It is not just a question of mobilization of resources for development; it is a question of citizen's sense of security. It provides a link between the present and the future. It is a matter of the socioeconomic vision that a society has of its future. Ultimately it becomes the problem of mutuality of trust between the people and their government. In India, life insurance business existed even before nationalization. After nationalization, the Constitution set up the LIC of India. Due to the impact of globalization, privatization and liberalization policy in the present era, LIC has opened many branches inside and outside India. Insurance companies from other countries have also come to India.

In recent years the growth rate of insurance business of private sector companies has been higher than that of LIC. The competition between the two will ultimately benefit the consumer. Insurer should Practice the highest levels of transparency and corporate governance to increase customer confidence.

REFERENCES:

1. Annual report of LIC (2001-11)
2. Dr. Dhiraj Jain, Bhagyashree Munot, Perception of House Holds Towards Insurance as a Concept in Rajasthan, IJMR, May 2012/ Volume 2/ Issue 5/ Article No-19/810-820.
3. Singh, B.K., 2010. An Empirical study on perception of consumer in insurance sector. Indian J. Econ. Bus., 9:61-73.
4. IRDA annual report Trends in Life Insurance Business- Unit Linked Insurance Plans, 2007-08, box item 1, page no. 15
5. Samuel B. Sekar, Research Associate, Academic Wing, The ICFAI University, Customer – driven innovation in insurance products, Insurance Chronicle, page 33, July 2006.
6. The ICFAI University Journal of Risk and Insurance Vol. VI No.2 April 2009, Published by the ICFAI University Press.
7. Dr. Harish B. Bapat, Dr. Vishal Soni, Dr. Ritu Joshi A Study of Product Quality of Selected Public and Private Sector Life Insurance Companies. (IOSR-JBM)-ISSN: 2278-487X, P-ISSN: 2319-7668. Volume 16, Issue 4. Ver. III (Apr. 2014), PP 32-41.