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Policy Holder's Perception towards Life Insurance Policies

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Abstract

The research paper aimed to present an overview of Indian Insurance sector and to know the growth potential. The data for the study is collected by administering a structured questionnaire for 100 respondents in the city of Warangal, Telangana state from January 2013 to December 2013. The sample for the study was selected using convenient sampling techniques but utmost care was taken that the results obtained can be generalized. The study found that most of the respondents prefer to invest in Banks other than insurance which shows that they prefer secured investments. There is an equal weightage for returns, risk covering and tax benefits as an investment purpose. Consumers expect full amount on the happening of event. Consumers expect an agent to explain about the policies and they prefer Endowment plans and ULIPs in large number. Policy holders prefer to pay premium through SSS, on own and by agent.

Key words: *Life Insurance, Investment, Economic development, respondents*

Introduction:

It is well known fact that investment occupies vital role in economic development. Investments are made out of savings. Life Insurance Company is a major instrument for .the mobilization of savings of people, particularly from the middle and lower group. All good life insurance companies have huge funds accumulated through the payments of small amounts of premium of individuals. These funds are invested in ways that contribute substantially for the economic development of the countries iu which they do business The system of insurance provides numerous direct and indirect benefits to the individuals and his family as well as to industry and commerce and to the community and the nation as a whole. Present day organization of industry, commerce and trade depend entirely on insurance for their operation, banks, and financial institutions lend money to industrial and commercial undertakings only on the basis of the collateral security of insurance.

A well-developed insurance sector promotes economic growth by encouraging risk-taking activity, and also has great potential as a mobilizer of long-term contractual savings. The latter are crucially needed for infrastructure provisioning has become an economic reality. Several factors have contributed towards the shift in thinking away from the traditional approach that regarded government as the main provider of infrastructure. Some of these factors are: massive investment requirements against the background of fiscal stringency, greater awareness of the importance of efficiency infrastructure investment and delivery, changing technology making it easier to have user charge, and increased possibility of raising large funds for infrastructure investment on a commercial basis. The demand for long-term investment funds is ever growing. While banking institutions mobilize short and medium-term savings, contractual savings institutions (such as insurance companies and pension and provident fund) because of their long-term liabilities are natural investors for infrastructure projects. Contractual savings institutions can also play a major role in vitalizing the secondary long-term debt market and also, if the investment norms permit, the securities market. This paper studies about the consumer perception towards life insurance policies. It mainly focused on the factors influencing the consumer in buying life insurance policies.

Historical Perspective

The history of life insurance in India dates back to 1818 when it was conceived as a means to provide for English Widows. Interestingly in those days a higher premium was charged for Indian lives than the non-Indian lives as Indian lives were considered more risky for coverage.

The Bombay Mutual Life Insurance Society started its business in 1870. It was the first company to charge. The Oriental Assurance Company was established in 1880. The General insurance business in India, on the other hand, can trace its roots to the Triton (Tital) Insurance Company Limited, the first general insurance company established in the year 1850 in Calcutta by the British. Till the end of nineteenth century insurance business was almost entirely in the hands of overseas companies.

Insurance regulation formally began in India with the passing Of the Life Insurance Companies Act of 1912 and the provident fund Act of 1912. Several frauds during 20's and 30's sullied insurance business in India. By 1938 there were 176 insurance companies. The first comprehensive legislation was introduced with the Insurance Act of 1938 that provided strict State Control over insurance business. The insurance business grew at a faster pace after independence. Indian companies strengthened their hold on this business but despite the growth that was witnessed, insurance remained an urban phenomenon.

The Government of India in 1956, brought together over 240 private life insurers and provident societies under one nationalized monopoly corporation and Life Insurance Corporation (LIC) was born. Nationalization was justified on the grounds that it would create much needed funds for rapid industrialization. This was in conformity with the Government's chosen path of State lead planning and development.

The Government of India

liberalized the insurance sector in March 2000 with passage of the Insurance Regulatory and Development Authority (IRDA) Bill, lifting all entry restrictions for private players and allowing foreign players to enter the market with some limits on direct foreign ownership. Under the current guidelines, there is a 26 percent equity cap for foreign partners in an insurance company. There is a proposal to increase this limit to 49 percent.

The opening up of the sector is likely to lead to greater spread and deepening of insurance in India and this may also include restructuring and revitalizing of the public sector companies. In the private sector 12 life insurance and 8 general insurance companies have been registered. A host of private Insurance companies operating in both life and non-life segments have started selling their insurance policies since 2001.

Objectives of the Study:

1) To study an overview of Indian Insurance sector.
2) To know the growth potential

Methodology:

The data for the study is collected by administering a structured questionnaire for 100 respondents in the city of Warangal, Telangana state from January 2013 to December 2013. The sample for the study was selected using convenient sampling techniques but utmost care was taken that the results obtained can be generalized.

Results Analysis & Discussion:

Table-1. Respondent's investment preferences other than insurance

Investment Option	Number of Respondents	Percentage
Banks	60	60.0
Mutual	10	10.0
Insurance	20	20.0
Share	5	5.0
Others	5	5.0
Total	100	100.0

Source: Primary Data collected through Questionnaire

From the above table it is clear that 60 per cent of the respondents' invest in Banks, 10 per cent in Mutual Funds, 20 per cent in Insurance, 05 per cent in Share Market and *5* percent in others,

Table 2. Respondent's investment purpose

Purpose	Number of Respondents	Percentage
Liquidity	05	05.0
Returns	30	30.0
Risk covering	30	30.0
Tax Benefits	35	35.0
Total	100	100.0

Source: Primary Data collected through Questionnaire

From the above table it is clear that 5 per cent of the respondents' invest for the purpose of liquidity, 30 per cent for returns, 30 percent for risk covering, and 35 per cent for tax benefits.

Table 3 Expectations from insurance policy

Expectation	Number of Respondents	Percentage
full amount After a defined period	25	25.0
Income in Regular Intervals	10	10.0
Facility of taking amount as required	10	10.0
Full amount on the happening of event	50	50.0
Regular monthly after the period.	05	5.0
Total	100	100.0

Source: Primary Data collected through Questionnaire

From the above table it is clear that 25 per cent of the respondents' expects a Full amount after a defined period, 10 per cent Income in regular intervals, 10 per cent facility of taking amount as required, 50 percent full amount on the happening of event and *$5* per cent regular monthly income (pension) after the period.

Table 4. Source of motivation for respondents

Source	Number of Respondents	Percentage
On Own	03	03.0
Friends/Relatives/Colleagues	05	05.0
Agent	80	80.0
Tax Consultant	05	05.0
Advertisement	05	05.0
Paper Article	02	02.0
Total	100	100.0

Source: Primary Data Collected through Questionnaire

From the above table it is clear that 3 per cent of the respondents' are motivated on own, 5'per cent by friends/relatives/colleagues, and 80 per cent by agent, 5percent by tax consultant, 5 per cent by advertisement and 2 per cent by a paper article.

Table 5 Respondents view on type of policy

Type	Number of	Percentage
Endowment	40	40.0
Term	05	05.0
Money Back	10	10.0
ULIPs	35	35.0
Children Plans	8	8.0
Pension Plans	2	2.0
Total	100	100.0

Source: Primary Data collected through Questionnaire

From the above table it is clear that 40 per cent of the respondents' prefers endowment plans, 5 per cent prefers term assurance plans, 10 per cent prefer money back plans, 35 per cent prefer ULIPS. 8 per cent prefers children plans and 2 per cent prefers pension plans.

Table 6 . Respondents view on mode of payment

Mode	Number of Responde	Percentage
Through	25	25.0
On Own	35	35.0
Through	1	1.0
Through SSS	39	39.0
Total	100	100.0

Source: Primary Data collected through Questionnaire

From the above table it is clear that 25 per cent of the respondents' pay premium through agent, 35 per cent on own, 1 per cent through Internet, 39 through Salary Savings Scheme (SSS).

Conclusion:

Most of the respondents prefer to invest in Banks other than insurance which shows that they prefer secured investments. There is an equal weightage for returns, risk covering and tax benefits as an investment purpose. Consumers expect full amount on the happening of event. Consumers expect an agent to explain about the policies and they prefer Endowment plans and ULIPs in large number. Policy holders prefer to pay premium through SSS, on own and by agent.

Whenever a policy is introduced by insurance companies, information should be communicated to loyal policy holders individually. As the agent is the main motivational force for policy holder, companies should recruit agents more in number and give them the efficient training. Salary Saving Schemes (SSS) should be introduced by the private companies and it should be the premium collection mode for all the policies.

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