



Empirical study on policyholder's opinion towards reason of taking non-Life Insurance Policy

Dr. C. Sankar, Assistant Professor, Department of Commerce, Karpagam University, Coimbatore-641 021. Tamilnadu

Abstract: *The study has yielded a metrics to evaluate the policyholder's opinion towards reason of taking non-life insurance policy. 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, to the non-life insurance company and the policyholders. Though much has been studied about the functioning of these non-life insurance companies, a detailed analysis on the comparative study of the opinion on the performance of public sector and private sector insurance has not been made so far.*

Keywords: *Non-life Insurance, Premiums, Risk*

1.1 Introduction

The concept at the back insurance is that a group of people exposed to similar risk come together and make contributions towards formation of a pool of funds. In case a person actually suffers a loss on account of such risk, he is compensated out of the same pool of funds. Contribution to the pool is made by a group of people sharing common risks and collected by the insurance companies in the form of premiums. It is left to the property owners either to insure or not to do so. Though it is not compulsory for the people to take non-life insurance policies, it is always advisable to do so. Hence, the four public sector non-life insurance companies as well as the fifteen private sector ones resort to publicity on their policies. Both the public sector non-life insurance companies and private sector ones appoint agents to popularize their products, i.e., the various policies available with them. They publicize their policies through print media and electronic media. Even though all the four public sector and fifteen private non-life insurance companies are working under Insurance Regulatory and

Development Authority (IRDA), there is a healthy competition among them. The premium amount for various policies is one for all the four public and fifteen private sector non-life insurance companies. But the policy administration, such as taking the policies, issue of policy document and other documentation are completely different.

1.2 Statement of the Problem

There is uniformity in the amount of premium in all insurance companies for various types of non-life insurance policies; wide diversity exists in the matter of their administration and the settlement of claims. Under such a situation, what tempts the policyholders to prefer a particular public sector non-life insurance company deserves to be analyzed. Such an analysis would be useful to the public sector non-life insurance company and the policyholders. Though much has been studied about the functioning of these non-life insurance companies, a detailed analysis on the comparative study of the opinion on the performance of public sector and private



sector insurance has not been made so far.

1.2. Significance of the Study

Today, in this liberalized world, in order to sustain good performance, the insurance companies have to ensure quality products at a competitive price. Companies can lower the price of the product by reducing the cost. So, there is a need to evaluate how these companies are performing in the chosen study area.

1.3 Objectives of the Study

The overall objective of the study as follows:

1. To measure the policyholder's opinion towards reason of taking non-Life Insurance Policy.
2. To offer suitable suggestions and recommendations for further improvement.

1.4 Review of Related Literature

Affaine Ahmad and Zalina Sungip (2008) attempted to evaluate customers' general expectation and perception of insurers in terms of service offered at the insurance service counter (ISC). They also examined the relationship between the demographic factors and SERVQUAL mean Score. Dash Biswamohan and Mishra Bidhubhusan (2012) in their study examined E-CRM practices and customer satisfaction insurance sector. This study was conducted in the capital city of Odisha (Bhubaneshwar) where major five insurance companies like LIC of India, AVIVA Life insurance, ICICI Prudential, Birla Sun life insurance, and reliance life insurance were selected. Gopal Krishna et al.,(2008) in their paper focused on service quality in the insurance sector.

The research yielded results on the service quality development program. The research findings were limited by the size of the sample and its restriction to one country in selecting the respondents. 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 performance by overcoming inconsistencies in customer service management in the organization. Junying Liu, et al., (2007) in their paper investigated the key issues and challenges in risk management and insurance in the Chinese construction industry and proposed solutions to improve risk management.

1.5 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 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.

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.

1.6 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.

1.7 Statistical Techniques for Analysis

The collected data were analyzed with reference to each of the objectives of the study. Chi-square tests are made use of for the study.

1.8 Distribution showing Purpose of Taking Insurance Policy

The purposes of taking insurance policy are analyzed in this section and the results are given in table 1.1

It is evident from the table 1.1 shows that the majority of the respondents are taking insurance to cover risk. Further with a view to find the degree of association between purpose of taking insurance policy and personal variables of the respondents, Chi-square test was used and result of the test is shown in the following table 1.2.

It is noted from the table 1.2 shows that the 'p' value is less than 0.05 for the personal variables of Marital Status, Occupational Status, Monthly Income (Rs.), Family types, and hence the result are significant. From the analysis it is concluded that there is significant association if found between the Marital Status, Occupational Status, Monthly Income (Rs.), Family types, and the purpose of taking insurance policy and personal variables.

1.9 Suggestions and Recommendations

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. **1.10 Limitations of the Study**

- i. The responses for the study have been solicited from the Salem District only.
- ii. The perceptions and expectations of the policyholders in Salem District may differ from those of the rest of Tamilnadu.
- iii.

1.11 Conclusion: The study has yielded a metrics to evaluate the policyholder's opinion towards reason of taking non-life insurance policy. 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. 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.



Table 1.1 Personal Variables and Purpose of Taking Insurance Policy

Personal Variables		Purpose										Total
		To cover Risk		Family Needs		Time to Time Needs		Opposite Circumstances		Others		N
		N	%	N	%	N	%	N	%	N	%	
Gender	Male	174	89.7	65	86.7	66	88.0	66	88.0	25	80.6	396
	Female	20	10.3	10	13.3	9	12.0	9	12.0	6	19.4	54
Age (in years)	Up to 25	39	20.1	15	20.0	15	20.0	15	20.0	6	19.4	90
	26-35	25	12.9	7	9.3	11	14.7	6	8.0	2	6.5	51
	36-45	53	27.3	23	30.7	19	25.3	24	32.0	10	32.3	129
	46-55	38	19.6	15	20.0	15	20.0	15	20.0	7	22.6	90
	56 and above	39	20.1	15	20.0	15	20.0	15	20.0	6	19.4	90
Marital Status	Single	56	28.9	20	26.7	26	34.7	25	33.3	8	25.8	135
	Married	138	71.1	55	73.3	49	65.3	50	66.7	23	74.2	315
Occupational Status	Government	9	4.6	Nil	Nil	Nil	Nil	5	6.7	Nil	Nil	14
	Private	85	43.8	52	69.3	25	33.3	25	33.3	10	32.3	197
	Professional	70	36.1	Nil	Nil	50	66.7	45	60.0	21	67.7	186
	Others	30	15.5	23	30.7	Nil	Nil	Nil	Nil	Nil	Nil	53
Monthly Income (Rs.)	Up to 15,000	39	20.1	15	20.0	15	20.0	15	20.0	6	19.4	90
	15,001-30,000	66	34.0	27	36.0	30	40.0	30	40.0	11	35.5	164
	30,001-45,000	48	24.7	30	40.0	Nil	Nil	Nil	Nil	12	38.7	90
	45,001-60,000	30	15.5	Nil	Nil	30	40.0	30	40.0	Nil	Nil	90
	60,001 and above	11	5.7	3	4.0	Nil	Nil	Nil	Nil	2	6.5	16
Family types	Joint	111	57.2	40	53.3	59	78.7	51	68.0	23	74.2	284
	Nuclear	83	42.8	35	46.7	16	21.3	24	32.0	8	25.8	166

Source: Primary Data



Table 1.2 Personal Variables and Purpose of Taking Insurance Policy-Chi-Square test

Personal Variables	χ^2 Value	df	'p' value
Gender status	2.23 ^a	4	0.092
Age Group (in years)	3.88 ^a	16	0.099
Marital Status	1.95 ^a	4	0.045*
Occupational Status	127.76 ^a	12	<0.001**
Monthly Income (Rs.)	115.20 ^a	16	<0.001**
Family Types	16.17 ^a	4	0.003**

*Significant at 0.05 %; ** Significant at 0.01 %

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