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A Study on Perception of Taking Life Insurance Products with Reference to Chennai City

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Abstract:

The insurance industry in India has seen an array of changes in the past one decade. The year saw an uprise in the Indian insurance sector as major structural changes took place with the ending of the government monopoly and the route of the Insurance Regulatory and Development Authority (IRDA) Bill lifting all entry restrictions for private players and allowing foreign players with some entry restriction and limits on direct investment ownership. With the fast-changing liberalization, globalization and privatization policies, the changing and growing needs and demands of people have made the insurance industry more competitive. Both public and private players now offer greater choice in terms of products and services. They also make valuable efforts to create awareness about the benefits and significance of insurance although there is still a blocking point among the people. This paper analyzes and rates all the life insurance companies by analyzing certain variables, measuring the customer perception, purchase behavior, and consumer awareness regarding the life insurance industry.

Keywords: *Insurance policy, Consumer preference, Life insurance, Invest*

INTRODUCTION

The human race, through centuries had been exposed to numerous risks and one of the static risks that remain unsolved is death. Risk and uncertainty are incidental to human life one may meet ultimately death, since one does not know about the happening of one's death. Whenever there is uncertainty, risk, as well as insecurity, one may suffer from disease, accident, destruction of property. In India, majority of the people are depending upon the incomes derived from wages, business or agriculture. When a man is alive, he is in a position to earn and support his family dependents. When he dies, the dependents are landed in trouble and they are "pushed into the bush" as the bread winner is no more to bring an income home. The insurance contract provides for the payment of a predetermined sum of money to the policyholders, or on one's untimely demise, to the nominee who is entitled to receive it. After the death of the policyholder no further premium is required to be paid towards the policy.

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Under a contract of insurance, losses of the unfortunates are compensated by the contribution of a large number of policyholders who are also exposed to the same type of risk. In fact, the essence of insurance is the sharing of losses and the substitution of certainty in the place of uncertainty.

When the risk under consideration is premature death, the possible financial hardships of the dependents of deceased policyholders is indemnified through life insurance. Insurance in any economy is regarded as a pillar of growth and works as a catalyst in the overall development of the economy. Industry always remains a source for long-term funds, which are vital for the development of the basic infrastructure of a country. The insurance industry helps in giving depth to the debt and capital market and also vitalizes the market for government bonds. Well run insurance companies are the best re-investors of a country's money in the interest of the overall development. These companies match their liabilities with local assets. As far as India is concerned, insurance sector is the second largest financial industry next to the banking sector. The life insurance business in India had its origin in 1818 with the establishment of the Oriental Life Insurance Company in Kolkata. The Indian Life Insurance Companies Act, 1912 was the first initial measure to be enacted to regulate life insurance business.

OBJECTIVES OF THE STUDY:

- To determine the awareness level of consumers regarding life insurance policies and the number of consumers who have actually invested in life insurance policies.
- To know about the reasons for investment in life insurance.
- To know the satisfaction level of consumers with respect to private and public insurers.
- To compare the differences in consumer perception of male and female consumers.
- To study the problems faced by the policy holders regarding their insurance products.

SCOPE OF THE STUDY

The research would reveal results regarding the awareness and attitude of various investors about insurance policies and thus may help the insurance organizations to identify the attitude of various investors and to improve the marketing of their plans. The study will be of immense help and guidance to the government policy makers who are keener in mobilizing savings in the country. The study will also be of use to the academic fraternity and the lay public as well. It may be of good use to the future researchers who may venture into this topic.

STATEMENT OF PROBLEM

The problem addressed in this research is the lack of sufficient awareness and knowledge about life insurance among certain demographic groups, which may prevent them from obtaining adequate coverage to protect themselves and their families in the event of unforeseen events, such as illness or death. Specifically, younger adults and those with lower income levels may be less likely to have access to information about life insurance and may be more hesitant to purchase coverage due to financial constraints or a lack of understanding about the benefits of such policies. This problem is significant because it could result in financial hardship or instability for individuals and families who are not adequately covered by life insurance. Additionally, it could contribute to broader social and economic inequalities, as certain groups may be at a disadvantage in terms of accessing the financial security provided by life insurance. The research aims to identify the factors that contribute to this problem and

to develop strategies for increasing life insurance awareness and promoting more equitable access to coverage.

RESEARCH METHODOLOGY

Sources of Data: Both primary data and secondary data were used in data collection.

Primary Sources

In this study, we used primary sources for data collection. Basic data is collected through a systematic questionnaire that is distributed to respondents.

- The first part focused on the data related to demographic characteristics of the respondents: this covered gender, age, occupation, educational qualifications, marital status and annual income.
- The second part of the questionnaire studies the customer behaviors towards Life insurance.
- Snowball Sampling was used to collect the samples. The sample selected from the study was a total of 152 respondents through a systematic and technological manner.
- For data analysis, ANOVA and Chi-Square tests were used to bring out the results.

REVIEW OF LITERATURE

1. **AJAY SUNEJA AND KIRTI SHARMA (2009)**, Life insurance provides a mean by which people can collectively seek protection against various types of risks related to their life that may arise in future. The main objective of the study is to find out the factors influencing the choice of a life insurance company to purchase a policy. Primary data has been collected for the purpose of this research. Stratified random sampling design has been adopted to collect the data and the sample size was 404 respondents in and around Delhi. The major findings of the study are, the younger the customer, the higher is the importance of promotional activities in choosing an insurance company. The author concluded that Insurance companies should give more emphasis on promotional activities targeted at younger prospective customers to attract them to insurance companies.
2. **DR. DHARMENDRA S. MISTRY and DR. PALLAVI C. VYAS (2021)**, Health insurance has become inevitable due to changes in life style and genesis of variety of diseases. The main objective of the study is to focus on the buying behavior towards health insurance in Gujarat. The research study has used multistage random sampling and the sample size was 800 respondents from all the 8 municipal corporations of the state of Gujarat. The study found that there is significant influence of demographical factors such as region, educational background, income and age on buying behavior towards health insurance. From this study, it is concluded that there is a great need for creating awareness about health insurance.
3. **YASHOMANDIRA KHARDE, DR. PRASAD SHIVAJI RAO MADAN (February 2018)**, The intention of this paper is to contemplate the relationship between the independent parameters (attitude towards behavior, subjective norms, perceived behavioral control, purchase intention and buying behaviour) on the buying behaviour of women customers towards insurances policies. To test the hypothesis, Structural Equation Modeling as well as the reliability and validity has been applied in this research paper with a sample size of 200. The research identifies that there was a significant influence of

subjective norms on insurance purchase intention of women, and that there was a significant influence of purchase intention on Insurance buying behavior of women. The modern woman is trying hard to strike a balance between her personal and professional lives and need to ensure themselves against all risks and vulnerabilities of their daily lives.

HYPOTHESIS

1. **H₀₁** = There is no significant difference between Income and Life insurance as investment
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2. **H₀₂** = There is no significance between the Educational Qualification and Insurance Company Preference
H₁₂ = There is significance between the Educational Qualification and Insurance Company Preference
3. **H₀₃** = There is no association between employment status and factors influencing Life Insurance Policy
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DATA ANALYSIS & INTERPRETATION

1. Type of Insurance Plans chosen

Table 1: Details of Insurance Plan

Insurance Plans		Responses		Percent of Cases
		N	Percent	
Insurance Plan Taken	Term plan	87	41.4%	57.6%
	Endowment plan	36	17.1%	23.8%
	Children's education plan	39	18.6%	25.8%
	Unit-Linked Insurance plan	17	8.1%	11.3%
	Retirement plan	31	14.8%	20.5%
Total		210	100.0%	139.1%

Interpretation:

From Table 1, we can interpret that majority of the respondents prefer (took) Term Plan (41.4%) followed by Children's education plan (18.6%), Retirement plan (14.8%) and Unit-Linked insurance plan (8.1%).

1. Income and Life insurance is good for saving as a long-term investment.

Table 2: Income and Life insurance as investment

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.095	4	1.524	1.934	.108
Within Groups	115.794	147	.788		
Total	121.888	151			

Interpretation:

P value is **0.108** which is greater than 0.05. Hence, the Null hypothesis is accepted. This implies that there is no significant difference between Income and Life insurance as investment.

2. Educational Qualification and Insurance Company Preference

Table 3: Educational qualification and insurance company preference

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.371	4	.358
Likelihood Ratio	4.663	4	.324
Linear-by-Linear Association	.259	1	.611
N of Valid Cases	152		

Interpretation:

P value is **0.358** which is greater than 0.05, Null hypothesis is accepted. There is no significant difference between the educational qualification and insurance company preference.

Employment Status and Factors influencing Life Insurance Policies

Table 4: Factors influencing Life Insurance Policies

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Children's education/my retirement	Between Groups	2.316	4	.579	1.205	.311
	Within Groups	70.625	147	.480		
	Total	72.941	151			
Saving amount regularly	Between Groups	1.608	4	.402	.657	.623
	Within Groups	89.945	147	.612		
	Total	91.553	151			
Security for the family	Between Groups	.989	4	.247	.476	.753
	Within Groups	76.380	147	.520		
	Total	77.368	151			
Convinced by agents and also a social responsibility	Between Groups	6.109	4	1.527	1.673	.159
	Within Groups	134.206	147	.913		
	Total	140.316	151			
Needed to get Loans/Services from the bank	Between Groups	3.761	4	.940	.948	.438
	Within Groups	145.817	147	.992		
	Total	149.579	151			

Interpretation of Table 4:

- i) **Children's education/my retirement:** P Value = 0.311 which is greater than 0.05, Null hypothesis is accepted. There is no significant difference between employment status and factors influencing Life Insurance Policy with respect to Children's education/my retirement.
- ii) **Saving amount regularly:** P Value = 0.623 which is greater than 0.05, Null hypothesis is accepted. There is no significant difference between employment status and factors influencing Life Insurance Policy with respect to saving amount regularly.
- iii) **Security for the family:** P Value = 0.753 which is greater than 0.05, Null hypothesis is accepted. There is no significant difference between employment status and factors influencing Life Insurance Policy with respect to security for the family.
- iv) **Convinced by agents and also a social responsibility:** P Value = 0.159 which is greater than 0.05, Null hypothesis is accepted. There is no significant difference between employment status and factors influencing Life Insurance Policy with respect to Convinced by agents and also a social responsibility.
- v) **Needed to get Loans/Services from the bank:** P Value = 0.438 which is greater than 0.05, Null hypothesis is accepted. There is no significant difference between employment status and factors influencing Life Insurance Policy with respect to need to get loans / services from the bank.

LIMITATIONS OF THE STUDY

We could not study the effect of financial knowledge / Financial literacy separately for purchasing insurance policies. The study could be limited in its capacity to generalize since it may have concentrated on a particular population or geographic area. The study may rely on secondary data sources, which might have flaws in their trustworthiness, correctness, or completeness. The research might not have considered how the life insurance market has evolved over time, such as how rules have changed or how new technologies could affect premiums and policies. While analyzing the results of the study and acknowledging the possibility of bias or mistake in the conclusions reached, it is critical to keep these limitations in mind.

FINDINGS OF THE STUDY

- There is no significant difference between Income and Life insurance as investment.
- There is no significant difference between the Age and Insurance plan chosen.
- Majority of the respondents felt that the insurance companies should make the settlement of claims easier.
- There is no association between employment status and factors influencing Life Insurance Policy.
- Majority of the respondents are feeling that the life insurance is very important for the security of one's family.
- Most of the respondents prefer Public Sector (LIC) for taking life insurance over private sectors

SUGGESTIONS

- The insurance companies should create more awareness on the life insurance products and should give more emphasis on promotional activities targeted at young perspective customers.
- It is advised to create an accurate consumer profile so that when household income increases, life insurance companies can encourage customers to purchase more life insurance policies because life insurance is purchased based on the amount of income replacement required in the event of the untimely death of the primary wage earner.

- Companies must explore new potentials for insurance market such as students, women, dependents, senior citizens, and very senior citizens population with low premium schemes.
- The agent should be knowledgeable and trained enough to explain various features and attributes of the policies. The agent should be provided latest devices such as calculator, computer accessibility and updated catalogues.
- The agent must conduct a credit report on policyholders to find out what sort of insurance policies they can be given and what sort of coverage they are getting and what kind of monetary values the insurance company must pay out in the event of damage to the insured.

CONCLUSIONS

Consumer is the basic foundation of every business. What consumer sees, thinks, prefers and buys is of great importance to marketers to fine tune their marketing offers and achieve high level of consumer acceptance and satisfaction. The present study was an in-depth study of micro-variables/determinants of consumer behavior. The marketing environment in India has been steadily acquiring greater vitality and rationalism. The new economic policies, regulations, financial standards have altered the course of nation so drastically that marketing of services and policyholder behavior studies have emerged as a centerpiece of business activities, in both the arena products as well as in services marketing. Competition has ushered in turbulent marketing environment due to globalization, privatization and liberalization.

The study revealed that there is relationship between Income and Life insurance as investment. So, it is clear that the people who prefer life insurance as their investment for the future take into consideration their change in income level. The study also reveals that the employment status has had a significant impact over the factors influencing life insurance policy such as children's education, retirement, saving amount regularly, security for the family, convinced by agents and also a social responsibility and needed to get loans from bank. The study interprets that there exists a relationship between educational qualification and insurance company preference.

Therefore, a proper knowledge of what insurance is and what purpose does it serve to an individual or an organisation is necessary. Companies must ensure that their marketing mix suits all segments of people and should be formulated based on the preference of customers. It is suggested to all companies to study the product factors, promotional factors, customer expectation factors, service quality factors and risk– return factors.

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