

## CUSTOMER'S PERCEPTION REGARDING INSURANCE PRODUCTS

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### ABSTRACT

*The objective of the present paper is to know about the customer perception about insurance plans of public and private insurance companies'. For this purpose primary data has been collected from customers of the selected insurance companies. The data include information regarding socio profile of customer, their level of income, pattern of investment and perception about various policies of selected insurance companies. This paper highlights the various insurance plans of LIC and other private companies and reasons to get these plans.*

**Keywords: customer perception, private companies, insurance plans.**

### INTRODUCTION

An insurance is a promise of compensation for specific potential future losses in exchange for a periodic payment .Insurance is designed to protect the financial well being of individual, company or other entity in case of unexpected loss.

Life insurance is one of the most common forms of insurance. In this process, life is insured against disease and death. Though life insured against disease is a new concept but is spreading very widely and broadly among people across all the regions of the country. Its popularity is acquiring important place amidst increasing incidence of life threatening diseases and very costly treatment. This type of insurance is called mediclaim insurance which helps to save the life while life insurance helps to support the family of an insured person after his/her death. Thus, both types of insurance are equally important.

### HISTORY

The idea of insurance was born out of a desire of the people to share loss of an individual by many. Originally, it was restricted to forms other than life insurance. It started with Marine Insurance, where all, who were engaged in trade, shared the losses on account of perils of sea. Reference to some forms of insurance, is found in the cords of Hammarubi Manu (Manna Dharma Shestre). The word Yogekshema is used in the Rig Veda suggesting that some form of community insurance was practiced by Aryans in India over 3000 years ago. In India during Buddhist period Burial societies existed which were mutual in their character and used to help a family by building a house protecting the widows and marrying the girls.

Due to the relatively low spread of insurance in the country, efficient and quality functioning of the public sector insurance companies, the untapped potential for mobilizing long-term financial resources to finance the growth of infrastructure and provide better coverage to

the Indian citizens, the government of India set up an Insurance Reform Committee in April 1993 under the chairmanship of R.N. Malhotra, Former Governor of Reserve Bank of India to suggest reforms in the insurance sector, including improvement in the functioning of LIC, GIC and strengthening the regulatory system. The committee submitted its report to Union Finance Minister on January 7, 1994, recommending a phased programme of liberalization, and called for private sector entry and refunctoning of LIC and GIC. The subsequent government moved an insurance bill again in 1998, which was referred back to a select committee of Parliament. Afterward, the government of India created history on October 24, 2000 once again by bringing back insurance business to private sector companies which had been abolished 44 years back.

## **REVIEW OF LITERATURE**

Olivieri (2001) in his paper analyses the use of mortality tables that include a forecast of the future trends of mortality, for life insurance valuation. In particular, annuity and term assurance portfolios are considered John, J (2002) in his paper asks a very important question, regarding whether there is life beyond LIC in Life Insurance. In India, Life Insurance is synonymous with LIC. He talks of several market watcher and players to bring this report on why, the odds LIC is doing everybody in this vast market to survive and prosper but the new private player must learn to live under the shadow of LIC. Gordon L.A. (2003) says that life insurance industry's access to genetic information is controversial. Consumer groups argue that access will increase discrimination in life insurance premiums and discourage individuals from undergoing genetic testing that may provide health benefits. Frank, G L (2004) in his paper presents the findings of two surveys conducted in April 2003 of Chartered Life Underwriters (CLUs) and Chartered Financial Consultants (CFCs) who are member of the society of Financial Service Professionals. The first survey was aimed at identified the key ethical issues faced by the professional working in the life insurance industry today. The second survey was aimed at determining the extent to which these professionals perceive the industry created insurance Marketplace Standards Association as having contributed to any change in the ethical environment that has taken place.

David J (2004) in his paper says that the demand for insurance is examined when the industry schedule is subject to an upper limit.. An increase in the upper limit would induce policy holder with constant absolute risk aversion to reduce his or her optimal deductible and therefore this would increase the demand for insurance against small losses. Dariusz (2004) in his article discusses the problem of purchasing a reinsurance policy that maximizes the survival probability of the insurer. Morgan Stanley (2005) in its article says that many companies in the life insurance business may be ready to go public. Though players are still two-three years away from breaking even under India accounting, if upfront expenses are amortized over the life of the policy, the break-even period could occur sooner currently there is a significant difference in reported earnings between companies following Indian GAAP (Generally Accepted Accounting Practices) and USGAAP..

## OBJECTIVES OF THE STUDY

1. To compare the performance of Life Insurance Corporation of India and Private Insurance Companies;
2. To examine the consumers perception and their attitude toward LIC of India and Private Sector Insurance Companies;

## RESEARCH METHODOLOGY

### Locale of Study:

Ludhiana city was purposively selected for the study as it has vast population having wider range of variety. Ludhiana is also known as the industrial hub of state of Punjab. It is also the centre of capital accumulation and concentration in Punjab. Industrialization and important public/government sector institutions such as Punjab Agriculture University, Verka Milk Plant, etc. led to generate a huge middle class which needs planning for their old age security. Thus, Ludhiana city was purposively selected for the study.

### Sampling Design:

As it is clear from the title of the thesis that comparison of LIC of India with private sector insurance companies is to be made therefore, along with Life Insurance Corporation of India, the following private sector insurance companies were randomly selected for the study:

1. ICICI Prudential Life Insurance
2. HDFC Standard Life
3. Bajaj Allianz Life Insurance

### Selection of Respondents:

A list of customers of the selected insurance companies in Ludhiana was prepared with the help of the official of the companies. Out of each list, 25 customers of each selected insurance companies were randomly selected for the study. In this way there were 25 customers belonging to public sector insurance company and 75 customers belonging to private sector insurance companies, approximately 100 customers in all.

### Statistical framework

Statistical tools such as tabular form, percentages, mean values, z-test and t-test has been used.

## ANALYSIS AND RESULTS

**Table 1** Customer's preference for various insurance policies

S. No.	Insurance Policies	Multiple Response					
		LIC, India		Private companies		Z-value	p-value
1.	Endowment Plan	8	32.00	28	37.33	0.48	ns
2.	Money Back Plan	18	72.00	37	49.33	1.97	0.05
3.	Pension Plan	6	24.00	39	52.00	2.44	0.05
4.	Children Plan	6	24.00	11	14.67	1.08	ns
5.	Unit Linked Plan	3	12.00	13	17.33	0.63	ns

A perusal of Table 1 shows that 32.00% of the LIC customers and 37.33% of the private sector customers preferred endowment plan. The difference between two proportions of customers was non-significant. But as high as 72.00% of the LIC customers preferred money back plan which came to be significantly higher than 49.33% of the private sector customers who preferred money back plan. On the other hand, significantly higher proportion i.e. 52.00% of the private sector customers preferred pension as compared to 24.00% of the LIC customers. However, there were statistically at par proportions of customers belonging to public as well as private sector insurance companies who preferred children plan and unit linked insurance plan. It is evident from the Table that money back and insurance plan was most popular in LIC followed by endowment plan while it was pension plan followed by money back plan in private sector.

**Table 2** Customer's preference for insurance plans on the basis of age

Age group (Years)	Endowment Plan	Pension Plan	Children Plan	Unit Plan	Money Back Plan	Total
20-30	5 (25.00)	0 (0)	6 (31.58)	5 (20.83)	5 (25.00)	21 (21.00)
30-40	7 (35.00)	9 (23.08)	9 (47.37)	7 (29.17)	6 (30.00)	38 (38.00)
40-50	5 (25.00)	14 (35.90)	3 (15.79)	6 (25.00)	6 (30.00)	34 (34.00)
Above 50	3 (15.00)	16 (41.03)	1 (5.26)	6 (25.00)	3 (15.00)	29 (29.00)
Total	20 (100.00)	39 (100.00)	19 (100.00)	24 (100.00)	20 (100.00)	100 (100.00)

Note: Figures in parentheses are percentage

The above given table shows that in the age group of 20 years to 30 years, 25% people have endowment plan, 0% people have pension plan, 31.5% have children plan, 20.83% people have unit-linked plans and 25% people have money back insurance policies. In this age group, people have shown their preference for pension plans and they form a part of the service or professional class. Among the people of age group of 30 years to 40 years, children plans are most popular. 47.3% people have children plans which provide educational benefits and also provide money at important milestones in child's life. 23.08% people have pension plans, 35% have endowment policies, 30% people have money back policies and 29.17% people have unit linked insurance plans.

Money back policies are more popular among people in the age group of 40 years to 50 years. 30% people have money back policies. 25% people have unit linked plans, 25% people have endowment plans, 35.9% have pension plan and 15.7% people have children plan. 15% people above the age of 50 years have endowment policies, 5.26% people have children plans, 2.5% have unit linked plans and 15% have money back policies. Among unit linked plan policy holders, the customers were fairly distributed over different age groups. It ranged between 20.83% in 20-30 years age group to 29.17% in 30-40 years age group. Among money back plan policy holders, as much as 30.00% each belonged to age group of 30-40 years and 40-50 years, while the lowest proportion, i.e. 15.00% of them

belonged to the age group of above 50 years.

**Table 3: Customers' preference for insurance plans on the basis of income**

Income (Lakhs)	Endowment Plan	Pension Plan	Children Plan	Unit Plan	Money Back Plan
1-3	7 (35.00)	13 (33.33)	9 (47.37)	2 (8.33)	8 (40.00)
3-5	9 (45.00)	16 (41.03)	7 (36.84)	7 (29.17)	6 (30.00)
Above 5	4 (20.00)	10 (25.64)	3 (15.79)	15 (62.50)	6 (30.00)
Total	20 (100.00)	39 (100.00)	19 (100.00)	24 (100.00)	20 (100.00)

Note: Figures in parentheses are percentage

The table shows that in the income group of 1 lakh to 3 lakh, 35% people have endowment plan, 33.33% people have pension plan, 47.37% people have children plans, 8.33% have unit linked policies and 40% people have money back plans. In this income group, a large percentage of people prefer to have children plans. In the income group of 3 lakh to 5 lakh, 45% people have endowment plan, 41.03% people have pension plan, 36.84% have children plan, 30% people have money back policies and 29.17% people have unit linked plans. Endowment type of policies is more popular in this income group. Among the people with income above 5 lakh, unit linked insurance plans are more popular. As unit linked plans are generally investment plans, so people in this income group have surplus to invest. 62.5% people have unit linked plans in this group. 30% people have money back plans, 25.64% have pension plans, 15.79% people have children plans and 20% people have endowment type of insurance policies.

**Table 4 Customers preference for insurance plans on the basis of profession**

Profession	Endowment Plan	Pension Plan	Children Plan	Unit Plan	Money Back Plan
Business	8 (40.00)	11 (28.21)	5 (26.32)	17 (70.83)	9 (45.00)
Service	12 (60.00)	28 (71.79)	14 (73.68)	7 (29.17)	11 (55.00)
Total	20 (100.00)	39 (100.00)	19 (100.00)	24 (100.00)	20 (100.00)

Note: Figures in parentheses are percentage

The above given table shows that 60% people who belong to service class have endowment plan and 40% people from business class have this plan. 71.79% people from service class have pension plans to take care of their post retirement period and 28.21% people from business class have pension plans 73.68% people from service class and 26.32% people from business class have children plans. 70.83% people from business class and 29.17% people from service class have made their investments in unit linked plans. 55% people from business class and 45% people from service class have money back policies.

**Table 5 Customers' source of information about insurance products**

S. No.	Source of Information	Multiple Response				Z-value	p-value
		LIC, India		Private companies			
1.	Newspaper	9	36.00	29	38.67	0.24	ns
2.	Magazines	6	24.00	28	37.33	1.22	ns
3.	Agents	16	64.00	42	56.00	0.70	ns
4.	Electronic Media	11	44.00	51	68.00	2.14	0.05

The analysis given in Table shows that the majority i.e. 64% of the LIC customers came to know about their policies through company agents while it electronic media in case of private sector where 68.0% of the customers reported the same. The magazines source of information came to be the magazines, which was 24% and 37.33% in case of public and private sector customers, respectively. The electronic media was significantly more common in private insurance sector in comparison to the public insurance sector as conveyed by the significant Z-value at 5% level of significance.

**Table 6 Customers' reasons to get the life insured**

S. No.	Reasons	Multiple Response				Z-value	p-value
		LIC, India		Private companies			
1.	Monetary Gains	9	36.00	45	60.00	2.09	0.05
2.	Benefits of Insurance	11	44.00	39	52.00	0.69	ns
3.	Tax Concession	14	56.00	37	49.33	0.58	ns
4.	Old Age Security	10	40.00	19	25.33	1.40	ns
5.	Risk Coverage	12	48.00	16	21.33	2.57	0.05
6.	Saving	10	40.00	29	38.67	0.12	ns

Among private insurance sector customers the highest proportion i.e. 60% purchased insurance policies for monetary gains which was significantly higher than 36% of the LIC customers who purchased insurance policy for monetary gain. This may be due to the higher monetary gain in private sector insurance policies than those in the LIC, India. On the other hand, the reason of risk coverage during fire, theft, etc. was significantly higher among LIC customers (48%) as compared to that among private sector customers (21.33%).

### CONCLUSION AND SUGGESTION

It is clear that the face of life insurance in India is changing. But with the changes come a host of challenges, and its only the credible players with a long-term vision and robust business strategy that will make an impact. Therefore the insurance sector should make more efforts to win confidence of the customers, offering appropriate products, prices and

profitability, giving more tax saving policies, expansion of distribution network, tapping of rural market, improvement in quality of services, provision of visionary and strategic leadership and policy makers.

If these measures are taken effectively, insurance sector can play a very positive role in the economic development as they can provide long term funds for infrastructure development and at the same time strengthen the risk taking ability. The insurance sector, can enable investments in infrastructure development to sustain economic growth of the country.

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