

# **A STUDY ON POLICY HOLDERS PREFERENCE TOWARDS LIFE INSURANCE POLICY IN ERODE DISTRICT**

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## ***Abstract***

*Insurance is basically working on the principle of 'many sharing the loss of a few'. People facing common risks come together and make small contributions to a common fund and it can be called a co-operative venture. Insurance is also an effective risk management tool. The responsibility of taking care of the family, ensuring the security of the family are shifted from the shoulders of an individual to the life insurance companies since it curtails risk and substitutes certainty for uncertainty in human life. Life is a roller coaster ride and is full of twists and turns, one cannot take anything for granted in life. Life insurance policy helps in not only mitigating risk but also provides a financial cushion against adverse financial burdens suffered. A life insurance policy is distinct from other financial instruments because of the risk cover provided. It is one of the basic needs of an individual; every individual for his own sake and for the sake of his family should invest in life insurance. Life insurance provides for risk, life and health cover, investment, savings and tax shelter. This study Aims to findout to identity the Satifaction level of the policy holders in Erode District.*

**Keywords:** Insurance, Risk, Savings, Invest, Policy

## **LIFE INSURANCE**

Life insurance is a contract between the insurer and insured for the payment of a sum of money to the person insured for the loss arising from the risk insured against. In return the policy owner agrees to pay a stipulated amount at regular intervals or in lump sum. A life insurance company collects contributions called premium and pays out compensation as claims. The amount of risk cover is called 'sum assured' and evidence for an insurance contract is an insurance policy. Upon the insured's death the insurer requires acceptable proof of death before it pays the claim. The normal minimum proof required is a death certificate and the insurer's claim form to be completed and signed by the legal representatives. If the insured's death is suspicious and the policy amount is large, the insurer may investigate the circumstances surrounding the death before deciding whether it has an obligation to pay the claim. The life insured can ensure the long term financial security of the family through 'settlement options' under which the net death claim proceeds can be received by the claimants in equal installments or as a lump sum at the end of the period or as a specified sum every month.

Life insurance has emerged as the most vibrant segment in the financial sector in India since the liberalization of the market. Life insurance industry is a dominant institutional player in the financial market impacting the health of the economy through its multi-dimensional role in savings and capital market. While the primary role of a life insurance company is to provide insurance coverage for managing personal financial risks, it plays a very crucial role in promoting savings by selling a wide range of products and actively contributes in promoting and sustaining the capital market of a country. One of the most important responsibilities of any life insurance company is to manage its liabilities efficiently to realize the value of the funds of the policyholders received by it as premium income.

## **STATEMENT OF THE PROBLEM**

Marketing plays a vital role within the insurance industry and it is used to increase sales, sustain market place positions for major companies and for smaller companies to build and grow their business. The use of marketing can be as far reaching as a national television campaign to grow and sustain a major insurance company and as localized as business cards and fliers used by a local insurance agent. Regardless of size, marketing tactics and strategies are developed by all in the industry to target prospects and policyholders to cover their insurance needs for life coverage. Many private life insurance companies are having fast movement

in all areas of Erode district. Therefore, many insurance channels, agents and associates have found many avenues for selling and providing after sales services to fulfill the needs and requirements of the policyholders. They view policyholder's opinion, level of satisfaction, problems faced by them in selecting the companies among many private players, selecting the life insurance products etc. Marketing force of a life insurance company has to do the spade work for attractive and creative marketing of life insurance products. The important issues relating to marketing are the initiatives and steps taken by the life insurance companies and the common problems faced by the insured in utilizing the services of life insurance companies.

## SCOPE OF THE STUDY

In the current trend for a life insurance company, the policyholders' satisfaction is an important aspect. It is the need of time to analyse the marketing of life insurance products as life insurance caters to safety, security and investment requirements of the people. It is a form of social security offered to people on commercial basis; people can get more benefits of life insurance business if the marketing management is effectively done. Marketing is a composite concept which includes sales and servicing. Servicing has a stronger impact on market expansion through relationship building among policyholders and service providers. As the life insurance contract extend over a long period ranging from fifteen to twenty years, the service relationship matters. The degree of quality, speed, cost and care to the existing and potential policyholders would have an immense impact on further sales. The present study is, therefore, focused on highlighting marketing of life insurance products by the life insurance companies in Erode District through life insurance agents and the satisfaction of the policyholders towards the services rendered by the life insurance companies.

## REVIEW OF LITERATURE

Syamala Rao (2012) in her article "Policyholder's perceptions on LIC policies and services with reference to Srikakulam District in Andhra Pradesh" illustrated that insurance occupies an important position in the financial sector of an economy. The Life Insurance Corporation of India has devised several life policies to satisfy the diversified needs of the customers. In India, the level of insurance awareness in general is very low and it is very poor in rural areas. The customer will be the single most important factor driving change in the life insurance business. The key to success would be in providing insurance solutions, not insurance products.

Beenish Shameem and Sameer Gupta (2012) have stated about marketing strategies in life insurance service sector, how these strategies boost sales and marketability of a product which ultimately lead to customer satisfaction. Every insurer must recognize that its "strategic posture" depends partly on the competitive environment and partly on its allocation of marketing resources. Life insurance industry requires new strategies in order to survive and survive successfully. Companies instead of focusing only on improving the variety of products need to focus on targeting new segments and implement innovative strategies in order to achieve sustained growth and ensure profitability of business as well as growth of insurance coverage.

Kathirvel and Radhamani (2013) in their article entitled "Satisfaction level of policyholders in LIC's service with reference to Tirupur District, Tamilnadu" stated that life insurance companies are facing tough competition due to liberalized economy. Therefore, policyholders' satisfaction is one of the most important challenges for life insurance companies. They concluded that majority of the policyholders are satisfied with LIC's service. But many of the respondents have not understood clearly about the purpose of insurance. So it is suggested that LIC should conduct insurance awareness campaign with the help of advertisements and social groups.

## OBJECTIVES OF STUDY

1. To study policy holders preference among the type of Insurance policies and their attitude towards life insurance companies.
2. To analyse the reasons for investing of Insurance policies and examine the steps taken by the life insurance companies towards revival of the policies.
3. To suggest suitable measures to improve marketing of life insurance products and satisfaction of policyholders.

## METHODOLOGY

### Primary data

Primary data has been collected from the selected sample of respondents (i.e) policyholders. Questionnaires have been used to collect primary data from the respondents with the focus on Erode district of Tamil Nadu. Questionnaires have been the main tool used to collect the primary data from the selected sample of respondents (i.e.) policyholders.

## Secondary data

Secondary data has been collected from the Divisional Offices of the life insurance companies, journals, books relating to life insurance and other published materials.

## Sample size

The Sample Size taken for the study is 100 policy holders in Erode District.

## Tools for Analysis

The data collected for the research study were analysed with the help of following tools: Descriptive Statistics such as Percentage and Chi-Square test, F-Test

## LIMITATIONS OF THE STUDY

Though the present study aims to achieve its stated objectives, it may be hampered due to certain limitations. The following are the limitations encapsulated in the conduct of this study.

- The primary data was collected from Erode district of Tamil Nadu. The results arrived from the study may or may not be applicable to other districts.

## DATA ANALYSIS AND INTERPRETATION

### AGE OF THE POLICYHOLDERS

TABLE 1

| Age (Years)  | No.of.Respondents | Percentage |
|--------------|-------------------|------------|
| Below 30     | 10                | 10         |
| 31-40        | 19                | 19         |
| 41-50        | 39                | 39         |
| Above 50     | 32                | 32         |
| <b>Total</b> | <b>100</b>        | <b>100</b> |

It is evident from the table majority 39 percentage of the policyholders are in the age group of 41-50

### GENDER OF THE POLICYHOLDERS

TABLE 2

| Gender       | No.of.Respondents | Percentage |
|--------------|-------------------|------------|
| Male         | 64                | 64         |
| Female       | 36                | 36         |
| <b>Total</b> | <b>100</b>        | <b>100</b> |

The table reveals that 64 percentage of the policyholders were male and remaining 36 percentage of them were female.

### EDUCATIONAL QUALIFICATION OF THE EMPLOYEES

TABLE 3

| Educational qualification | No.of.Respondents | Percentage |
|---------------------------|-------------------|------------|
| SSLC                      | 12                | 12         |
| PUC/+2                    | 19                | 19         |
| Graduate                  | 37                | 37         |
| Post Graduate             | 32                | 32         |
| <b>Total</b>              | <b>100</b>        | <b>100</b> |

The table depicts that the majority 37percentage of the policyholders are Graduates.

### NATURE OF THE JOB OF THE POLICYHOLDERS

TABLE 4

| Designation | No.of.Respondents | Percentage |
|-------------|-------------------|------------|
| GOVERNMENT  | 36                | 36         |
| PRIVATE     | 10                | 10         |
| BUSINESS    | 25                | 25         |

|              |            |            |
|--------------|------------|------------|
| Former       | 12         | 12         |
| Oters        | 17         | 17         |
| <b>Total</b> | <b>100</b> | <b>100</b> |

The Table Indicates that in Majority 36 percentage of the policyholders are Government job.

**INCOME LEVEL OF THE POLICYHOLDERS**

**TABLE 5**

| Monthly Income (Rs) | No. of. Respondents | Percentage |
|---------------------|---------------------|------------|
| Less than 20,000    | 21                  | 21         |
| 20,000-40,000       | 40                  | 40         |
| 40,000-50,000       | 9                   | 9          |
| Above 50,000        | 30                  | 30         |
| <b>Total</b>        | <b>100</b>          | <b>100</b> |

The Table reveals that in Majority 40 percentage policyholders earned monthly income between Rs.20,000-40,000.

**MARITAL STATUS OF THE POLICYHOLDERS**

**TABLE 6**

| Marital Status | No. of. Respondents | Percentage |
|----------------|---------------------|------------|
| Married        | 59                  | 59         |
| Unmarried      | 41                  | 41         |
| <b>Total</b>   | <b>100</b>          | <b>100</b> |

The Table exhibits that Majority 59 Percent of the policyholders are Married

**SAVINGS OF THE POLICYHOLDERS**

| Savings per annum | No.of.Respondents | Percentage |
|-------------------|-------------------|------------|
| Below 30,000      | 27                | 27         |
| 30,000-40,000     | 43                | 43         |
| Above40,000       | 30                | 30         |
| <b>Total</b>      | <b>100</b>        | <b>100</b> |

The table reveals that majority 43 percentage of the Policyholders savings per annum 30,000-40,000.

**TYPE OF POLICY TAKEN 7**

| Type of policy    | No. of. Respondents | Percentage |
|-------------------|---------------------|------------|
| Endowment policy  | 31                  | 31         |
| Money Back policy | 13                  | 13         |
| Childern’s plan   | 10                  | 10         |
| Pension plan      | 20                  | 20         |
| Medical Policy    | 14                  | 14         |
| Unit Linked       | 12                  | 12         |
| <b>Total</b>      | <b>100</b>          | <b>100</b> |

The table reveals that majority 31 percentage of the policyholder endowment policy prefer to taken policy

**CHI-SQUARE TEST**

In order to find whether there is any significant association between the Type of policy taken and demographic variables the Chi-Square test was used.

**TYPE OF POLICY TAKEN AND DEMORGRAPHIC VARIABLES**

**TABLE 8**

| Demographic variables     | Chi- square | DF | ‘P’   | Remarks            |
|---------------------------|-------------|----|-------|--------------------|
| Age                       | 19.595      | 3  | 0.000 | Highly significant |
| Gender                    | 0.144       | 1  | 0.704 | Not Significant    |
| Educational qualification | 5.979       | 4  | 0.201 | Not significant    |
| Nature of the Job         | 8.059       | 5  | 0.153 | Not significant    |

|                   |        |   |       |                    |
|-------------------|--------|---|-------|--------------------|
| Income level      | 15.547 | 3 | 0.001 | Highly significant |
| Savings per annum | 16.643 | 2 | 0.000 | Highly significant |
| Marital Status    | 21.702 | 1 | 0.000 | Highly significant |

There is a highly significant association between the Type of policy taken and demographic variables such as age, income level, Savings per annum and marital status of the policyholders.

## REASON FOR INVESTING INSURANCE POLICY FRIEDMAN'S TEST

TABLE 9

| Reason             | Mean | S.D   | Mean Rank | Reliability |
|--------------------|------|-------|-----------|-------------|
| Savings            | 3.28 | 1.260 | 8.78      | 0.7753      |
| Wide risk coverage | 3.81 | 1.289 | 9.62      |             |
| Retirement benefit | 2.66 | 1.301 | 6.99      |             |
| Tax shelter        | 2.68 | 1.271 | 7.05      |             |
| Financial Security | 2.72 | 1.196 | 7.14      |             |

In order to find Reasons for investing insurance policy friedmans test analysis used table revealed that among five reasons **Wide risk coverage** was ranked 1st followed by **Savings** and the reliability was **0.7753**.

## SUGGESTIONS

Policies with lesser maturity period will also attract many policyholders as majority of the respondents feel that return is after a long period. Liquidity of life insurance policies can be improved by introducing short term products and it would increase the satisfaction among the policyholders. Majority of the policyholders are of the opinion that the premium amount is high. The satisfaction of the policyholders can be improved by keeping the premium low. Since the life insurance premium is based on mortality rate it can be reviewed often. If any reduction in the premium rates takes place as a result of such reviews the benefit can be passed on to the policyholders.

## CONCLUSION

The competitive climate in the life insurance market has changed over the last few years due to regulations of IRDA and the expectations of the policyholders are also changing. Insurance companies are targeting upon the policyholders by giving them returns with the mission to make them delighted and satisfied. The life insurance companies must take care to ensure that every policyholder is totally satisfied and as a result its customer base has grown significantly. While designing the marketing strategy, life the insurance companies have to consider the marketing strategies, promotional methods and policy innovations of competitors. They have to frame the strategies in two aspects i.e., to win over the hearts of the policyholders and to tackle the competition. This is possible only through agents and employees in life insurance companies. A lot is to be done by the life insurance companies to maximize the satisfaction of the policyholders and improve the high returns of the policy.

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