A STUDY ON EFFECTIVENESS OF PRIVATE LIFE INSURANCEPOLICIES

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Abstract

Life insurance is important because it provides financial security to the family in case of the unfortunate death of the policyholder. Life insurance can enable the family of the policyholder to stay financially independent so that they do not have to compromise their lifestyle. For life insurance we could say that "it is a combination of savings and insurance" which offers protection and creates the financial security of a person, his family or/and his business. In this background, research on the effectiveness of private life insurance policies focused on estimating the interest of private life insurance investors and factors affecting them to invest in it.

Key words: Effectiveness; Investors; Private Insurance Policies

Introduction

Life insurance should be one of the most important insurances, because the life of a human being is one of the most expensive things. However, unlike in the developed countries, in many other countries, this type of insurance is not really propagated. (Uskana Ahmeti 2013). For life insurance we could say that "it is a combination of savings and insurance" which offers protection and creates the financial security of a person, its family or/and his business.

Life insurance may be defined as a contract in which the insurance company called insurer undertakes to insure the life of a person called assured in exchange of a sum of money called premium which may be paid in one lump sum or monthly, quarterly, half yearly or yearly and promises to pay a certain sum of money either on the death of the assured or on expiry of certain period.

India's Insurance industry is one of the premium sectors experiencing upward growth. This upward growth of the insurance industry can be attributed to growing incomes and increasing awareness in the industry. India is the fifth largest life insurance market in the world which is growing at a rate of 32-34 per cent each year. With the entry of private insurance companies, insurance companies in India have increased remarkably.

More amenities are available across India even in small towns, small cities and rural regions. With the increasing preference among consumers towards insurance, various products and services are offered by the private insurance companies. Hence, consumers have

a wide range of shifting alternatives and they select the best one that meets their needs and requirements. The study is conducted to find the effectiveness of private life insurance policies. In this background, the study is undertaken to find the effectiveness of private life insurance policies.

Statement of the Problem

The Indian insurance industry has shown tremendous growth in the late 2000's. The entry of the private players in the insurance sector has given wider opportunities to the individuals to save for the future and to mitigate the risk in their life. The Indian life insurance market currently has 23 private players fighting a rigorous battle for taking the largest possible part in the growing life insurance market. Market share of private players in the life insurance sector have reported a growth of 46 per cent. In this background, research on the effectiveness of private life insurance policies focused on estimating the interest of private life insurance investors and factors affecting them to invest in it. The result is derived by factors influencing them to invest in it.

Objectives of the Study: To examine the factors influencing the investors to invest in private life insurance policies.

Scope and Importance of the Study

The benefits of private life insurance policies are expanded in a wider form. Insurance Regulatory Development Authority of India (IRDAI) has undertaken various initiatives towards boosting the private Insurance penetration, such as permitting insurers   to conduct vide based Knowing Your Customer (KYC), launching standardized insurance products and allowing insurers to offer rewards for lower risk behavior etc. The study aims to find out how the people are effectively investing in private life insurance companies.

Private life insurance companies play a vital role by providing long term financial security. It helps to protect the future financially. There are various policies towards life insurance companies. So, it is important to know the level of knowledge of policies provided by private life insurance companies among the public and the factors which influence them to invest in private life insurance policies.

Methodology of the Study

The study is based on both primary and secondary data collected. The study mainly depends on primary data. It has been collected from the policyholders who have taken private

life insurance policies. The Secondary data have been collected from websites, journals etc. The area of study is confined only to Salem city. A sample of 150 policy holders of private life insurance companies have been taken for the study by adopting convenient sampling technique. The study has been carried out for the period from June 2022 to December 2022. Statistical tools descriptive statistics, simple percentage analysis, Friedman Ranking test, Chi square have been applied for analysing the data. The study includes only those policy holders who invested in private life insurance companies.

Review of the Literature

Tati and Baltazar (2018) have revealed that investors should treat insurance policy as not only a tax saving option but also as a risk protection and a multi-faceted investment option.

Manisha Kaushal Arora and Gitanjali Sharma (2019) have revealed that the technology will play a crucial role in the delivery of the service of the highest standard to both the end customer as well as the negotiator and also it helps to reduce costs significantly and get reflected in the pricing of products.

Syed Shahid Mazhar and Farhina Sardar Khan (2019) observed that the demographic factors of the population play a key role in deciding to purchase life insurance policies.

Umamaheswari(2019) revealed that product uniqueness, price, promotion, services of agents and accessibility are deciding factors of selection of policies of private life insurance companies by consumers.

Shoaib Alam Siddiqui (2020) Concluded that the state life insurer i.e., Life Insurance Corporation (LIC) was efficient throughout the entire study period. The methodology employed in this study estimates relative efficiencies without assuming any functional form; as a result, the proper comparison of input utilized with the output produced was not possible.

Importance of Life Insurance

Life insurance policies help the individuals to safeguard their family after their premature death. Life insurance provides the amount to their family members in lump sum after the death of the policy holders. Life insurance companies also provide various terms of policies like short term policies, long term policies and also both the policies to the policyholders. Due to their rapid growth in the economy people are more accelerated towards investing their amount in insurance companies. For the past decades people are well aware about only LIC,

the private life insurance companies are increasing their growth by creating awareness about various policies through advertisements etc. There are more than 24 private life insurance companies in India and these companies are not only developed but also taking the country to global level by attracting more policyholders than LIC.

Types of life insurance plans

Life insurance plans are available in different kinds such as Term plans, Whole life plans, Endowment plans, Unit linked Plans, Annuity plans, Health plans etc.,

Ranking

Ranking refers to the data transforming in which numerical or ordinal values are replaced by theirrank when data are sorted. Ranks are assigned to the values in ascending order (in some other casesdescending ranks are used).

Mean Ranking

Mean rank is the average of the ranks for all observations within each sample. Mean ranking method states that the lowest mean for the factors can be ranked as most preferred and the highlights mean ranking can be ranked as least preferred.

Table-1: Factors Influencing Invest In Private Life Insurance Policy

Factors	Mean Rank	Rank
Risk coverage	7.75	1
Savings/Wealth Creation	8.95	4
Tax Benefits	8.23	3
Loan Flexibility	8.18	2
Financial Safety	10.27	7
Mental Peace	9.59	5
Navigating the capital Market	9.64	6
Paying off debts	11.65	8
Retirement planning	12.88	10
Influential Marketing strategy	13.55	11
Use of updated technology	12.26	9
Effectiveness and efficiencytransaction made	14.45	14
Charges applicable on service	14.26	12
Information on new schemes	14.42	13
Company reputation	15.83	17
Information Security	14.68	15
Rate of interest imposed	15.25	16
Efficient counter services	16.11	19
Availability of branches	16.06	18
Proper guidance	16.80	20

Branding	18.17	21
Online Reviews	19.34	23
Quality of financial product	18.82	22
Individual benefits	19.39	24
Past experience	20.76	25
Historical records of acompany	21.45	26
Performance of a company inprevious consecutive years	22.30	28
Flexibility	22.36	29
Equity	21.61	27

Test Statistics

N	150
Kendall's W	.288
Chi-square	1.208E3
Df	28
Asymp.Sig.	.000
a.Friedman Test	

The factors influencing investment in private insurance policies have been ranked on the basis of mean rank using Friedman Test. According to the mean ranks, the most influencing factor with the lowest mean rank of 7.75 was Risk Coverage. It implies that the customers who are interested in investing their money in private insurance policies give importance for the risk coverage. It is understood that the second ranked factor is loan flexibility with the mean rank of 8.18. It indicates that the investors are intending to avail loan from the insurance policies. Tax benefits have been the third ranked factor influencing investment in private insurance policies with the mean rank of 8.23. According to the opinions of the private insurance policy investors, the fourth and the fifth ranks have been assigned to Savings/Wealth creation and Mental Peace respectively. Navigating the capital market has been ranked as the sixth factor while Financial Safety is considered as the seventh factor. The eighth factor according to the views of the investors is paying off debts and the ninth factor influencing the investors is Use of updated technology. Retirement planning is focused by the investors as the tenth ranked factor whereas influential marketing strategy has been ranked as the eleventh factor. Charges applicable on service have influenced the investment in private insurance policies as the twelfth factor.

From the analysis it is inferred that the information on new schemes provided by the private insurance players has been the thirteenth factor whereas effectiveness and efficiency of transaction made is the fourteenth factor influencing investment in private insurance policies. Insurance security has been ranked as the fifteenth factor while rate of interest

imposed is the sixteenth ranked factor. Company reputation has been given importance by the investors at the seventeenth position. Availability of branches has influenced the investors and positioned in the eighteenth place. Efficient counter services have been found to be the nineteenth ranked factor whereas proper guidance offered has been considered as the twentieth factor. Branding is the twenty-first factor influencing the investors while the quality of financial product has been the twenty-second factor influencing the investors towards investment in private insurance policies.

Online reviews have been found to be the twenty-third factor whereas individual benefits available to the policy-holders have been the twenty-fourth factor influencing the investors for making investments in private insurance policies. Past experience is one of the factors influencing the investors and the same has been ranked as the twenty-fifth factor. The twenty-sixth factor according to the investors is historical records of the company and the twenty-seventh factor as opined by the investors is equity. In terms of the opinion given by the investors, the twenty-eighth ranked factor is performance of the company in previous consecutive years. Flexibility is the least influencing factor with the twenty-ninth mean rank.

Descriptive Statistics

Services Provided in Private Life Insurance Companies

Policyholders have been asked to rate their level of agreeability regarding the statements relating to the services rendered by private life insurance companies. The ratings have been assigned as 5 for Excellent, 4 for Good, 3 for Average, 2 for Poor and 1 for Very Poor for all the statements.

Table-2: Descriptive Statistics - Services Provided In Private Life Insurance Companies

Services	No. of Respondents (N)	Minimum	Maximum	Mean	Standard Deviation
Security for life	**150**	**1**	**5**	**4.16**	**1.062**
Investment opportunity	150	1	5	3.80	.843
Tax benefits	150	1	5	3.57	1.064
High return	150	1	5	3.67	1.052
Pension benefits	150	1	5	3.62	1.097
Asset diversification	150	1	5	3.77	0.993
Estate liquidity	150	1	5	3.78	1.002
Retirement supplement	150	1	5	3.74	1.013

Source: Computed

The table depicts total means rating for the services rendered by private life insurance companies. The highest mean rating (4.16) has shown that the policyholders have given excellent for the statement Security for life. The lowest mean rating (3.57) has shown that the policyholders have given very poor results for the statement Tax benefit.

Agreeability Level towards Private Life Insurance Policies

Policyholders have been asked to rate their level of agreeability regarding the statements relating to private life insurance policies. The ratings have been assigned as 5 for Strongly agree, 4 for Agree, 3 for Neutral, 2 for Disagree, 1 for Strongly disagree. High score indicates high level of agreeability towards private life insurance policies.

Table-3: Descriptive Statistics-Agreeability Level towards Private Life Insurance Policies

Statements	No. of Respondents (N)	Minimum	Maximum	Mean	Standard Deviations
Better plans of private life insurance are term plans and ULIP plans	150	1	5	4.05	0.975
Private life insurance plans covers till the death of the insured person	150	1	5	3.97	1.117
My knowledge on private life insurance policy is good enough to invest in it	150	1	5	3.65	1.062
Savings and investment elements are included in private life insurance Product	150	1	5	3.69	1.055
Life insurance is good for saving for retirement, life and children's education	150	1	5	3.66	1.134
The best time to apply for life insurance policy is when there is a serious life threat	150	1	5	3.76	1.127
The cost of a life insurance policy is fixed on basis of age and health	150	1	5	3.77	1.212
Life insurance is far more Important than health coverage	150	1	5	3.75	1.141

Private company life insurance policy pays higher rate of returns compared to public company	150	1	5	3.87	1.076
Investing in life insurance company according to their reputation regardless of returns and accessibility	150	1	5	3.88	1.042
Insured can get coverage for chronic and terminal illness	150	1	5	3.82	1.056
Life insurance payouts are considered to be tax free	150	1	5	3.78	1.128
Main purpose of acquiring life insurance is to make them act as a retirement income	150	1	5	3.92	1.007
Entry of private life insurance company has widened the scope of insurance sector as a whole	150	1	5	3.79	1.040
Term insurance plan is considered to be the simplest form of private life insurance	150	1	5	3.80	1.036

Source: Computed

The table depicts the agreeability level towards private life insurance policies. The highest mean rating (4.05) has shown that the policyholders are strongly agree with statement 'Better plans of private life insurance are term plans and ULIP plans' and the lowest mean rating (3.65) has shown that the policyholders are strongly disagree with the statement 'My knowledge on private life insurance policy is good enough to invest in it'.

Findings and Conclusion

➤ 58.7 per cent of the respondents have taken policies for their family members.

➤ 54.0 per cent of the respondents have taken policies with term of less than 10 years

Ranking Question

Factors influencing to invest in private life insurance policy

➤ The result of rank analysis reveals that "Risk coverage" is the most attracted factor towards investing in private life insurance.

➤ The feature of the private life insurance policy that has attracted the investors the most is security for life.

➤ From the analysis, it is understood that the investors prefer the term plans and ULIP plans of the private insurance companies.

Conclusion

Private insurance players actively participate in the insurance business. They introduce varieties of policies for the benefit of the policyholders. They are facing stiff competition among them as well as from the Life Insurance Corporation of India. Under these circumstances, the effectiveness of private insurance policies measured in this study indicated that the risk coverage has been the primary concern of the investors. They invest their money in the policies which offer the maximum risk coverage at the lowest premium. Loan flexibility and tax benefits are the factors influencing the investors next to the risk coverage. The investors have agreed that the security for life has been the most advantageous feature of the private insurance policies. Out of the plans offered by the private insurance companies, term plans and ULIP plans have been the most attracting plans in accordance with the views of the investors.

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