

MAKING THE RIGHT CHOICE: REASONS TO CHOOSE LIC INSURANCE POLICY

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ABSTRACT

This study aims to identify the reasons for preferring Life Insurance Policy and examine the satisfaction level towards selecting a Life Insurance policy. This study also shows how policyholders feel about the life insurance company policy in the Coimbatore district. About 100 samples were taken from the Coimbatore district population and analyzed using statistical tools like Chi-square and simple percentages. The result shows how policyholders are willing to take the policy to safeguard their lives and families.

Keywords: Policyholders, Insurance, Reasons and Preference

Introduction

Insurance is a risk transfer mechanism through which one entity pays another entity in the event of loss, according to a signed contract between the insurer and the life assured. It has grown to encompass a wide variety of products. Insurers conceptualize, design, obtain approvals, and offer their products. In return for these products, the intended beneficiary is convinced to buy. Nowadays, consumers are increasingly comfortable using social media, mobile phones, and other items to get recommendations from friends, family, and colleagues, buy from wherever they are located, and share their experiences afterwards. People are always looking for security, which is vital in forming families, tribe communities, and groups. The policyholders' attitude level indicates the extent to which they have availed themselves of the services.

Review of Literature

Sneha Singh et al. (2022) examined that customers and businesses consider customer happiness an essential factor in providing value to their products and services, resulting in customer satisfaction.

Arathi (2021) stated that LIC has many strategies for nationwide and different regions, and nowadays, insurance is most famous as a more transparent instrument against death and life. Customer awareness programs should take place in rural areas to educate all about the benefits of life insurance.

Nisha et al. (2019) found that as consumer preferences for products fluctuate occasionally, market analysis should be carried out regularly to monitor consumers' changing needs and wants. GST is one of the current issues for the insurance sector, and the rural area people were affected by this tax. Therefore, Life Insurance Companies should provide better awareness activities to their customers.

Nivedita et al. (2018) found that customers are satisfied with the features and premiums of life insurance policies. Most have a long business history with their current agents, but few wish to buy more products from their current agents or recommend others to buy a product from them.

Sanmugam Annamalah (2013) developed that the primary intention for purchasing life insurance is financial security for the family. However, individuals now buy life insurance as a medium to long-term tax-favoured savings and investment vehicle.

Objectives

1. To find the reasons for preferring the Life Insurance Policy of policyholders.
2. To examine the satisfaction of LIC policyholders towards selecting a Life Insurance policy.

Source and Methodology

This study was conducted using primary and secondary sources. Primary data were collected through an online survey with a structured questionnaire, and secondary data were collected through articles, magazines, journals, internet and research websites.

Analysis and Interpretation

This study was analyzed using a well-structured questionnaire circulated to 100 policyholders to collect relevant information. All data collected were compiled and analyzed, and the results were framed in a table. Based on the results of the analyses, relevant issues were described.

Findings

Table 1 discloses that out of 100 policyholders.

- According to the data provided, a high majority of the policyholders surveyed were female (82%).
- The majority of policyholders were also under the age of 30 (51%).
- In terms of education, the majority of policyholders were PG graduates (56%).
- The majority of policyholders were married (92%).
- Regarding employment, most policyholders were employed in the private sector (72%).
- The majority of policyholders also lived in joint families (53%).
- In terms of family size, most policyholders had more than four members in their family(33%).
- Regarding location, most policyholders lived in semi-urban (town) areas (43%).
- Regarding family income, most policyholders had two earning members in their family (66%).
- The majority of policyholders also earned up to ₹3,00,000 as personal annual income (67%).
- Finally, most policyholders earned up to ₹5,00,000 as family yearly income (33%).

Table 1
Socio-Economic Profile of LIC Policyholders

| Socio Economic Variable | No. of Policy Holders | Percentage(%) |
|--------------------------------|------------------------------|----------------------|
| Gender: | | |
| Male | 18 | 18 |
| Female | 82 | 82 |
| Age | | |
| Up to 30 years | 51 | 51 |
| 31-45 | 45 | 45 |
| 46-60 | 02 | 02 |
| OVER 60 | 02 | 02 |
| Ed. qualification | | |
| School level | 02 | 02 |
| Diploma Holders | 02 | 02 |
| UG | 21 | 21 |
| PG | 56 | 56 |
| Professional Course | 17 | 17 |
| Others specify _____ | 03 | 03 |
| Marital status | | |
| Married | 92 | 92 |
| Unmarried | 08 | 08 |

| Socio Economic Variable | No. of Policy Holders | Percentage(%) |
|-------------------------------------|------------------------------|----------------------|
| Family type | | |
| Joint | 53 | 53 |
| Nuclear | 47 | 47 |
| Total no of members | | |
| 2 | 05 | 05 |
| 3 | 32 | 32 |
| 4 | 30 | 30 |
| More than 4 | 33 | 33 |
| Occupation | | |
| Self Employed | 20 | 20 |
| Private sector employee | 72 | 72 |
| Govt employed | 03 | 03 |
| Business Person | 03 | 03 |
| Retired Employee | 02 | 02 |
| Area | | |
| Rural | 41 | 41 |
| Semi-urban | 43 | 43 |
| Urban | 16 | 16 |
| Total no. of earning members | | |
| 1 | 16 | 16 |
| 2 | 66 | 66 |
| More than 2 | 18 | 18 |
| Personal Annual Income | | |
| Up to ₹3,00,000 | 67 | 67 |
| ₹3,00,001 to ₹5,00,000 | 13 | 13 |
| ₹5,00,001 to ₹ 7,00,000 | 06 | 06 |
| Above ₹7,00,000 | 14 | 14 |
| Family annual income | | |
| Up to ₹5,00,000 | 33 | 33 |
| ₹5,00,001 to ₹10,00,000 | 25 | 25 |
| ₹10,00,001 to ₹15,00,000 | 24 | 24 |
| Above ₹15,00,000 | 18 | 18 |
| No. of Policy taken(Self) | | |
| 1 | 70 | 70 |
| 2 | 22 | 22 |
| 3 and above | 08 | 08 |

| Socio Economic Variable | No. of Policy Holders | Percentage(%) |
|-------------------------------------|------------------------------|----------------------|
| Type of Policy Taken | | |
| Children Future Plan | 12 | 12 |
| Endowment Policy | 03 | 03 |
| Group Insurance Policy | 05 | 05 |
| Money Back Policy | 21 | 21 |
| Pension Plans | 15 | 15 |
| Special Plans | 07 | 07 |
| Term Policy | 22 | 22 |
| Jeevan Anand Women's policy | 03 | 03 |
| Whole life policy | 12 | 12 |
| Mode of Premium | | |
| Single Premium | 08 | 08 |
| Monthly | 44 | 44 |
| Quarterly | 23 | 23 |
| Half-yearly | 13 | 13 |
| Annually | 12 | 12 |
| Reasons for taking Policy | | |
| Need for insurance is felt. | 74 | 74 |
| Motivated by agent | 07 | 07 |
| Tax Saving Purpose | 19 | 19 |
| No. of Policy taken(Family) | | |
| 1 | 41 | 41 |
| 2 | 38 | 38 |
| 3 and above | 21 | 21 |
| Total premium paid (Annual): | | |
| Less than ₹1,00,000 | 70 | 70 |
| ₹1,00,001 to ₹2,00,000 | 25 | 25 |
| ₹2,00,001 to ₹3,00,00 | 02 | 02 |
| Above ₹3,00,000 | 03 | 03 |
| Mode of Payment | | |
| Cash | 50 | 50 |
| Cheque | 05 | 05 |
| Salary Saving Scheme | 13 | 13 |
| Internet | 32 | 32 |

- According to the data provided, a high majority of policyholders surveyed perceived a need for insurance (74%) expressing this sentiment.
- The majority of policyholders also took out one policy for themselves (70%).
- Regarding policies for their families, most policyholders took out one policy (41%).
- Regarding the type of policy taken out, most policyholders took out term insurance (22%).
- Regarding premium payments, most policyholders paid less than ₹1,00,000 as their total annual premium, with 100 (70%).
- Most policyholders also paid their premiums monthly, with (44%).
- Finally, in terms of payment methods, the majority of policyholders made their payments through cash (50%).

Table 2
Aspects Associated with Satisfaction Level on Preferring LIC Insurance Policy

| Variables | χ^2 | Variables | χ^2 |
|---------------------------------|----------|-----------------------------|----------|
| Gender | 2.516 | Personal income | 14.938** |
| Age | 17.176** | The family income per month | 32.002** |
| Educational Qualification | 27.458** | Reasons for taking policy | 35.688** |
| Marital status | 3.055 | No. of Policy taken(self) | 18.264** |
| Occupation | 27.556** | No. of Policy taken(family) | 5.519 |
| Area of residence | 24.074** | Type of Policy | 63.192** |
| Family type | 2.132 | Total annual Premium | 9.180 |
| Total number of members | 40.370** | Mode of Premium | 34.986** |
| Total number of earning members | 8.418 | Mode of Payment | 50.683** |

** Significant @ 5% level

Table 2 shows the association between variables and the policyholders' satisfaction level using the Chi-square tool with a 5% significance level.

Age(17.176), educational qualification(27.458), occupation(27.556), area of residence(24.074), number of members(40.370), personal income (14.938) and family income(32.002), the reason for taking the policy (35.688), number of policies taken for self(18.264), type of policy (63.192), mode of premium (34.986) and mode of payment(50.683) are associated with the satisfaction level on preferring LIC insurance policy.

Reasons for preferring LIC Insurance are Due to Government undertaking, traditional insurer, prompt payment of maturity amount, high sum assured with a low premium, high return, financial sound, attractive bonus, easy availability of loan, low rate of interest on the loan, innovative products, availability of salary saving scheme, quick service, friends/relatives in LIC, advice of friends/relatives and other reasons.

Table 3
Aspects Associated with Reasons for Preferring LIC Insurance Policy

| Variables | χ^2 | Variables | χ^2 |
|---------------------------------|----------|-----------------------------|----------|
| Gender | 4.150 | Personal income | 29.346** |
| Age | 2.791 | The family income per month | 34.952** |
| Educational Qualification | 17.025 | Reasons for taking Policy | 3.157 |
| Marital status | 1.043 | No. of Policy taken(self) | 3.794 |
| Occupation | 32.109** | No. of Policy taken(family) | 16.546** |
| Area of residence | 21.282** | Type of Policy | 50.601** |
| Family type | 7.514** | Total annual Premium | 7.958 |
| Total number of members | 18.445** | Mode of Premium | 24.535** |
| Total number of earning members | 25.466** | Mode of Payment | 13.774** |

** Significant @ 5% level

Table 3 shows the association between the variables and Reasons for selecting LIC policy with the chi-square at 5% significant level.

Occupation(32.109), area of residence(21.282), family type (7.514), number of members(18.445), number of earning members (25.466), personal income (29.346) and family income (34.952), number of policies taken for family(16.546), type of policy(50.601), mode of premium (24.535) and method of payment(13.774) are associated with the reasons for preferring LIC Insurance Policy.

This table enforces that associated variables are the main reasons behind the policyholder's willingness to take LIC policy.

Table 4
Aspects Associated with Intention for Preferring LIC Insurance Policy

| Variables | χ^2 | Variables | χ^2 |
|---------------------------------|----------|-----------------------------|----------|
| Gender | 6.274** | Personal income | 32.320** |
| Age | 25.620** | The family income per month | 24.223** |
| Educational Qualification | 39.306** | Reasons for taking Policy | 12.086** |
| Marital status | 17.289** | No. of Policy taken(self) | 31.097** |
| Occupation | 15.247 | No. of Policy taken(family) | 21.965** |
| Area of residence | 19.349 | Type of Policy | 44.505** |
| Family type | 3.967 | Total annual Premium | 24.341** |
| Total number of members | 15.054** | Mode of Premium | 58.129** |
| Total number of earning members | 12.776** | Mode of Payment | 54.609** |

** Significant @ 5% level

Table 3 carry out information regarding the association between variables and their intention in taking LIC policy as a Policyholder using Chi-square tool with 5% significance level.

Gender(6.274), age(25.620), educational qualification(39.306), marital status(17.289), number of members (15.054), number of earning members(12.776), personal income(32.320) and family income(24.223), reasons for taking the policy (12.086), number of policies taken for self (31.097) and number of policies taken for family (21.965), type of policy (44.505), total annual premium (24.341), mode of premium (58.129)and mode of payment(54.609) are associated with the intention for preferring LIC Insurance Policy.

This table reveals that policyholder intentions are carried out through the associated variables in buying insurance policy.

Recommendations

The study reveals that the primary reasons for policyholders' intentions to purchase insurance policies are to safeguard themselves and their families. However, they were unclear in selecting policies because they did not receive precise information regarding the policy and its features. Therefore, it is recommended that LIC send regular updates regarding the policies to policyholders and keep them informed about new policies as well.

Conclusion

The insurance sector is one of the most rapidly growing sectors in India. A person must be insured to protect themselves and their family members, as the amount cannot be saved due to price changes and the tax slab. This study concludes that safeguarding themselves and their families, investing in long-term benefits, and the image of a government undertaking company are the main reasons behind the preference for taking a LIC policy. Many other reasons also play a role, but these are the primary factors that this study analyzes.

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