INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Life is full of risk and uncertainties. Life insurance is one such device which gives mental peace to oneself and also secures the family with financial protection at the happening of such event. Earlier Indians viewed life insurance as savings and investment tool rather than risk coverage. But, now it is also considered as a tax saving instrument, planning for specific future family needs, security against loans and avenues for high returns with limited risks. In India, the life insurance sector supports a lot for the development of the economy as a whole. The penetration of life insurance was around two per cent during 1990’s and it was 2.15 per cent during 2001 and has increased to 4.40 per cent during 2010. At the same time, the life insurance density in India has increased from 9.10 in 2001 to 55.57 in 2010. Further, it is expected that India’s life insurance industry would touch $400 billion by 2020 (IRDA Annual Report, 2010-'11).

Life insurance came into existence in India from United Kingdom (UK) in 1880 with the establishment of the Oriental Life Assurance Company in Calcutta. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate the Life Insurance business in India. In 1938, the earlier legislation was consolidated and amended. On January 19, 1956, the management of 154 Indian life insurers, 16 non-Indian life insurers and 75 provident societies was taken over by the Central Government and the nationalized life insurer - Life Insurance Corporation of India (LIC) was formed in September, 1956. Till the enactment of Insurance Regulatory and Development Authority (IRDA) Bill in 1999, LIC acted as a monopoly in the life insurance segment and through its vast network it reached various corners of the country providing sales and services to the Indian public (Joy Chakraborthy, 2007). Due to liberalisation, privatisation and globalisation, the monopoly of LIC was broken with the entry of private insurers along with foreign partners in the Indian life insurance industry. It resulted in a wide variety of options to the customers in choosing the appropriate choice, which serves to their expectations. During 2010-'11, there were twenty-two private life players in the life segment. Today there exists a stiff competition among the players in providing innovative products and customized services to enhance their market share. For the past one decade,
the growth of life insurance sector in India is remarkable especially the market share of private life insurance companies with regard to total premium collected has increased considerably from 0.02 per cent in 2000-’01 to 30.22 per cent in 2010-’11 (IRDA Annual Report, 2010-’11) and thereby India has registered itself as the 9th largest life insured country in the world. But, still about 80 per cent of the Indian population is without the life insurance coverage (Kannan, 2010). This provides an excelling opportunity for the private life insurer to grow along with the industry that in turn accelerates the growth of Indian economy too.

1.2 STATEMENT OF THE PROBLEM

Since privatisation, life insurance sector in India is growing significantly. Hence, the number of private life insurers has increased considerably from 10 in 2001 to 22 in 2010 that too in metros and urban areas only (Anshuja Tiwari and Babita Yada, 2012; Hasanbanu and Nagajothi, 2007). Uma et al. (2011) observe that majority of the policyholders are not aware on the newly entered private life insurers in the country. Further, the customers’ awareness with regard to various plans and their features including terms and conditions, surrender options, tax benefits, premium payment options, bonus amount and charges imposed are found to be low with private insurers than public insurer - LIC (Rajkumari, 2007; Gireesh Kumar and Eldhose, 2008; Push Deep Dagar and Sunil Phougat, 2011). In this regard, there arises the following question: What is the policyholder level of awareness on the private life insurance? What are the variables associated with the level of awareness?

Life insurance is not only designed to protect the future interest of one’s family, but also to provide reasonable returns on one’s investment. The private life insurers are in forefront by offering several innovative products and enhanced services in attracting new prospective customers and to retain their existing policyholders. Gopi (2009) reveals that majority of the policyholders prefer private life insurers due to the guaranteed high returns on the policy followed by better service and the advice of their friends and relatives working in the company. Further, the policy features followed by agents’ recommendations and affordability of premium are the prominent factors in choosing the specific policy (Uma et al. 2011). The attitude in selecting the policy may vary from
one policyholder to another depending on the products offered as well as services provided by the insurer from time to time. In this scenario, the following questions arise: What factor influences the policyholder to select a private life insurer? Which factor motivates one to select a specific policy?

Satisfied customers create value for the industry. They remain with the company, refer to their friends and families and usually prefer to buy the products from the same insurer due to their trust on the company (Richard Harvey, 2007). Further, identifying a prospective customer is four times costlier than retaining the existing one (Imtiyaz H. Dhalait, 2007). After privatization, the policyholders have various options to select a company based on the innovative products offered as well as the customized services provided. In 2000-‘01, the private life insurers were able to collect `6.45 crore as their first year premium, accounting for 0.07 per cent market share whereas the LIC mobilised a premium of `9700.98 crore during the same period, accounting for 99.93 per cent market share. During 2010-‘11, the first year premium of the life insurance sector was `1,26,381 crore, which include `39,368.65 crore for private insurers, accounting for 31.15 per cent market share and `87,012.35 crore for public player – LIC, accounting for 68.85 per cent market share (IRDA Annual Report, 2010-‘11). It signifies that, though the market share of private players is increasing considerably, LIC dominates the life insurance segment. This raises the following questions: What is the level of policyholders’ satisfaction on the services of private life insurers? What are the variables that determines the policyholders’ satisfaction?

1.3 OBJECTIVES OF THE STUDY

The following are the objectives:

1. To examine the level of awareness of policyholders on Private Life Insurance

2. To find out the policyholders’ preference for private life insurance

3. To examine the level of satisfaction of policyholders and

4. To ascertain the determinants of policyholders’ satisfaction on the services provided by the selected private life insurers
1.4 METHODOLOGY

A brief note on source of data, sampling and framework of analysis is given below.

1.4.1 Source of Data

The present study is mainly based on the primary data which is collected from the life insurance policyholders with the help of questionnaire. The questionnaire consists of questions pertaining to the personal details of the policyholders, their awareness on private life insurance, details of the life policy held, preference for private life insurance and their opinion on the services rendered by the selected private life insurance companies.

1.4.2 Sampling

During 2010-’11, there are twenty-two private life insurers operating in India and among them 13 companies are operating its insurance business in Coimbatore district. For the purpose of the study, top five private life insurers namely, ICICI Prudential Life Insurance Company, SBI Life Insurance Company, HDFC Standard Life Insurance Company, Bajaj Allianz Life Insurance Company and Reliance Life Insurance Company have been taken on the basis of their market shares. 100 each questionnaires were issued to the respondents of the selected five private life insurers by adopting convenient sampling method. Of which, 450 questionnaires were collected and 12 of them are found to be incomplete. Hence, the total sample size accounts to 438 comprising of 95 respondents from ICICI Prudential Life Insurance Company; 90 from SBI Life Insurance Company; 87 from HDFC Standard Life Insurance Company; 83 from Bajaj Allianz Life Insurance Company and 83 from Reliance Life Insurance Company.

1.4.3 Framework of Analysis

Data gathered from the respondents have been analysed using (i) Simple Percentage (ii) Analysis of Variance (ANOVA) (iii) Post-hoc Test (iv) Chi-square Test (v) Correlation (vi) Multiple Regression (vii) Step-wise Regression (viii) Factor Analysis and (ix) Weighted Average Rank.
1.5 SIGNIFICANCE OF THE STUDY

Most of the studies in the past have been focused mainly on the public sector life insurance company – LIC. Only very limited research have been done with regard to the private life insurance companies. There is a wide scope for research on the policyholders’ satisfaction on the services of private life insurance companies operating in India. Hence, the present study is concerned with policyholders’ satisfaction on the services of top five private life insurance companies, selected on the basis of their market share, operating in Coimbatore district. The result of the study will be of use for the Policyholders, Private Life Insurance Companies, Advisors, Insurance Regulatory and Development Authority (IRDA) and the Government.

The private insurance companies offer more innovative products and facilities from time to time according to the changing needs and preferences of the policyholders. This study helps the policyholders to know more about the private life insurers and their policies, facilities provided and various charges imposed on the services.

The study will lend a helping hand to the private life insurance companies to assess their current offerings and also to know more about the policyholders’ opinions. The insurance companies can draw up plans to give a suitable, reasonable and comprehensible products and facilities to their customers in retaining them. The insurance companies can also inculcate promotional activities in such a way that the benefits reach the customers.

Advisors known as agents are the key distribution channels of any insurance company. For the growth of the company, the development must be on the best professional lines. The study will be helpful for the advisors to be familiar with the policyholders’ expectation. Further, the result of the study may support them to get more knowledge of in creating an interaction with the policyholders.

The Insurance Regulatory and Development Authority (IRDA) can make use of the study result to know about the performance of the private life insurers and thus can frame rules to regulate the activities of private insurance companies and also create awareness about the private players among the public.

The Government can know the real prospective of the private players and can assist them in withstanding in the competitive service sector.
1.6 LIMITATIONS OF THE STUDY

This study is on the basis of the opinion given by the policyholders of the selected top five private life insurers in Coimbatore district. The respondents are selected by employing convenient sampling method and the limitations related to it are applicable. The information given by the respondents may also be unfair. The policyholders from the selected private insurance companies operating in Coimbatore district alone have been included in the sample of the study. Restrictions, therefore, to be taken care while working out to generalize the results of the study.

1.7 CHAPTER SCHEME

The report of the study is presented in six chapters.

第一章 explains the theme of the study. Statement of the problem, objectives, methodology, significance of the study and limitations of the study are presented here.

第二章 analyses the review of previous studies carried out in India as well as abroad.

第三章 describes the research methodology followed in executing the study.

Policyholders’ degree of awareness on the private life insurance and the variables associated with this are focused in Chapter Four.

Policyholders’ motive for preferring private life insurance companies and their policies are dealt in Chapter Five.

Policyholders’ level of satisfaction and its determinants are ascertained in Chapter Six.

第七章 summarise the findings of the study. Suggestions to improve the services of private life insurance companies are also incorporated here.

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REFERENCES


