CHAPTER - X
SUMMARY AND SUGGESTION

This chapter is an attempt of summarising the earlier chapters.

CHAPTER – I

The New Economic Policy paved the way for liberalised life insurance business so much so not only the Indian Companies and financial institutions but also foreign firms / companies can do life insurance business in India. The LIC becomes one of the participants in the life insurance business in India. To face the competition from the co-participants the LIC introduced new kinds of policies. The LIC becomes a life insurance products super market dispensing varieties of life insurance products to the investors. The IRDA is the authority to regulate the insurance business in India. At the end of the year 2007-08 there were 375.90 lakhs of policies of the LIC with the total sum assured of Rs.275427.65 crores. In the competitive situation an insured has to perceive the features of various kinds of policies of LIC so as to prefer a kind of policy.

The preference of the investors may be based on their expectations. The expectations of different groups of investors may not be the same. The expectations of the investors based on the perception of investors over the features of a life insurance policies needs re-examination as to whether the investors perceive the features of policies or not while taking up investment decisions. Whether the different groups of investors on the basis of demographic classifications significantly differ or not in understanding the features of the policies also needs re-examination to identify market segments for each kind of life insurance policy.
There was need to understand the investors in terms of their perceptions towards the features of policies of LIC. An understanding of the perception of investors may be beneficial to the LIC for further innovation and enhancing its market share. Besides, of the different groups of investors there may be differences in their perceptions. If the differences in perception were surveyed and analysed it will be further beneficial to the LIC to have market segmentation to suit a kind of policy to a particular segment of investors.

The market share of the LIC at the end of the year 2003-04 was 87.67 percent and it came down to 78.78 percent at the end of year 2004-05. Whereas market share of the private sector increased from 12.33 percent in 2003-04 to 21.22 percent at the end of the year 2004-05. The declining trend of the LIC in the market share and increasing trend of the private sector in the market share reflects also on the total premium received by the LIC and private sector.

When there were 21,916 new policy holders in the sample area they could be classified on the basis of insurance products and the personal details of the investors. There was a wider scope to examine the perception of different groups of investors on the different kinds of life insurance products.

The specific objectives of the study were as follows.

i) To examine the rationale behind investing in Life Insurance Policies.

ii) To briefly state the regulatory mechanism in the land to regulate life insurance business.
iii) To analyse the performance of LIC over the period of its life in the form of profile of LIC.

iv) To examine the features of policies of the LIC.

v) To analyse the perception of investors towards the policies of LIC by means of empirical tests.

vi) To summarize the study and to make suggestions.

Available literature in the field of life insurance showed that there were researches as life insurance business is a complex job, the need for an authority (IRDA) to regulate, identification of emerging issues in the walk of new economic policy, factors affecting demand and supply of life insurance, the need for health insurance for women, reviewing the performance of ombudsman, insurance is an essential source of service, exporting of insurance service, need for innovation in life insurance, regulation of investments of insurers, the need for life insurance, changing behaviour pattern of customers, tax relief on premiums paid, benefits of life insurance and about insurance awareness programme. However, the proposed research work is different from the earlier works in the following ways viz.,

i) Examining the preference of policy holders towards the various policies of LIC of India when each policy has distinctive features in terms of premiums and benefits.

ii) Examining whether there is any significant difference among demographic classification in terms of age, gender, income, education, occupation for preferring the policies of LIC of India.
Statistical survey method of research was adopted. The methodology of the researcher was selecting the area of the study for the purpose of taking sample respondents. Paramathi – Velur Taluk of Namakkal District of Tamil Nadu, India was selected as the area of study. Most of the sample respondents were policy holders of LIC. As such the researcher met the respondents individually by means of a question schedule. The question schedule was in English and hence the researcher had to explain the requirements of the question schedule in Tamil. The filled up question schedule was the source of primary data.

During the year 2007-08, 21916 investors had taken Life Insurance Policies from the LIC. Since the population size was larger Quota sampling technique was adopted by taking 100 investors in life insurance policies from the three panchayat unions of Paramathi Velur Taluk. As a result the sample size became 300.

The data were analyzed by means of charts, diagrams and various other statistical tools. Besides, chi-square test and analysis of variance were also used to test the hypothesis. Besides, articles, research publications journals, periodicals, brouchers, notices, pamphlets, Ph.D thesis, books were also used as secondary data.
CHAPTER – II

Life insurance has the origin from 2100 BC. The Chartered England was the first joint stock company to enter into life insurance business. In the 19th century, many societies were founded to insure the life and health of its members. Insurance in India can be traced back to the vedas. The first Indian life assurance society was founded in 1870. During Swadeshi movement the insurance business witnessed a big boom in India with more companies being set-up. The government began to exercise control over the insurance companies by the Insurance Act of 1938. The government of India decided to nationalise the life insurance business by taking over 250 life insurance companies by forming Life Insurance Corporation of India. The life insurance remained a monopoly of the public sector. The life insurance sector was opened to private sector in 2001. The IRDA Act was passed and IRDA was wanted with the powers to oversee the insurance business.

Life insurance is a contract between the insurer and the insured. Life insurance is superior to other forms of savings. Life insurance promote savings, ensures liquidity over the said savings, gives tax relief and can get money when the insured requires. Life insurance policies an be taken even on the life of child. There are various plans of life insurance. The premiums paid and the premiums paid on the notified annuity plans of LIC are qualifying amounts to claim tax exemption under 80 CC of the Income-Tax Act. According to section 10 D of the Income-Tax Act, 1961 any sum received under a life insurance policy is exempted from Income-Tax Act.
CHAPTER – III

As per the recommendation of Malhotra Committee Government holdings in insurance business is reduced to 50 percent. A private company cannot do both life insurance and general insurance business. This committee recommended for the creation of insurance regulatory body. based on the recommendations of Malhotra Committee. Insurance Regulatory and Development Authority Act, 1999 was passed. as per the provisions of the act Insurance Development and Regulatory Authority was created. this authority was given wider powers, among other things, duty to regulate, promote and ensure steady growth of insurance business. A life insurance business company has to obtain a certificate registration from IRDA. The central government also enjoys wider powers under the IRDA Act, among other things, the power to supersede the IRDA. The IRDA has to file returns to the central government. The accounts of the insurance business are subject to audit as per law. The Insurance Act 1938 as amended in 2002 prescribes that no promoter shall hold more than 26 percent of the paid-up capital. the competition Law, 2002 promotes competition and eliminates policies having adverse effect on competition.

The life fund out of excess premium and investment income is valued by the method of discounting future income – with profit policies participate in the distribution of surpluses. The valuation of life – fund of the LIC showed a surplus of Rs.9733 crores as on 31.01.2003 and out of which Rs. 9426 crores were used for distributing bonus. Days of grace were allowed for payment of premiums. The Insurance Act, 1938 makes rules for revival of discontinued policies, child forfeiture of policies, suicides, loans against policies, assignments and nominations, accident benefit rider, option to switch between funds, normal requirements for a claim, requirement of age proof and grievance redressal.
CHAPTER – IV

LIC of India came into existence by nationalising 250 independent Life Insurance Societies. These societies were nationalized by the Life Insurance Corporation of India Act, 1956. The Corporation is managed by a board nominated by the Central Government. Initially the share capital of the corporation was Rs. 5 crores wholly sponsored by the Central Government. Apart from doing life insurance business the corporation has a function of making investment. A few sections of the Act is also applicable to other insurers. No income tax shall be payable by the corporation for the interest and dividend received by it as per sections 193 and 194 of the Income-Tax Act, 1961. As per section 30 of the Act the Central Government may permit any person to carry on life insurance business in India. For the purpose of governing the functions of the corporation the central government may pass rules then and there. The corporation has its own historical background. Among other things the objectives of LIC of India include widening life insurance business in rural areas, mobilizing savings of people, conducting the business with utmost economy, trustee to the insured, meeting the needs of life insurance, involving people in life insurance business and promoting agents a sense of participation. Mission of the corporation is to provide insurance products and vision is be trans-nationally competitive. The corporation operates in business in whole of India. The corporation has grievance redressal offices. The corporation provides Housing Finance by way of creating a separate entity by name LIC of India Housing Finance limited. The LIC housing finance Ltd’s shares are listed in the NSE and BSE. The corporation invests in funds in Government Societies and in approved investments. The Government proposed to impose 5 percent service tax on the basis of proper actuarial calculation. Corporation
decided to maintain a balance between high-tech and high touch. High-tech is applying modern and sophisticated technologies and high touch is human support. The business of the corporation increased from 4.98 lakh policies in 1950 to 196.65 policies in 2000-2001. As on 2000-2001 the sum assured was Rs. 6,45,042 lakhs, premium received Rs.29,720 lakhs and the investment of the corporation was Rs.1,75,941 lakhs.

CHAPTER – V

Whole life policy is meant for the benefit of the nominees. Endowment policy provides the terminal benefits to the policy holder but if he dies in the middle the nominees will get the benefits. For children’s future the parents and guardians can propose a policy. For periodically getting benefits one can prefer money back policy. For double risk cover and triple risk cover Jeevan Mitra policy is preferable. Jeevan Sakthi policy is a joint policy covering the risk of wife and husband simultaneously but either of the two can get the benefit if one dies. Policies also available for marriage and education of children. Jeevan Jana Raksha policy is meant for irregular income earners and the risk covers up to three years after the premiums are paid for two years. The necessity of paying premium periodically is not found in Jeevan Jana Raksha policy. Jeevan Kishore Policy is an insurance product for child from 0 to 12 years. Jeevan Chhya provides terminal benefits during the last four years of maturity. Jeevan Aathar policy is taken for a physically handicapped nominee. Jeevan Vishwas is also a policy for a physically handicapped nominee but the premium shall be paid in one lump sum. Jeevan Anand policy is a combination of endowment and whole life policy. Komal Jeevan is a policy for a child and the benefits are payable at 18, 20, 22, 24 and 26th years respectively as periodical benefits. Jeevan
Bharathi is a policy for the benefit of a child who suffers from congenital disability benefit. Premiums can be paid in the most production years in Jeevan Shree-I policy Anmal Jeevan-I covers the risk of physically handicapped on the basis of medical report under Jeevan Saral 250 times of monthly premium shall be paid as benefit. Under Jeevan Prakmukh the high networth people can pay the entire premium within 5 years at their convenience. Under Jeevan Anurag accident benefit and critical illness rider sum assured one can invest a lump amount. Bimal Bachat is a single premium policy is an investment to buy unity in the market. In market plus policy the premium paid will be invested in the security market at the option of the policy holder.

CHAPTER VI

Perception is a process which involves seeing, receiving, selecting, organizing interpreting and giving meaning to the environment. As for as LIC policies are concerned perception is understanding the features of policies. Perceptual process is selection process. Several factors influence interpretation and they are halo effect, attribution, stereotyping, personality, situation and perceiver. Perceiver’s attitudes, motives, interests, past experience and expectation are among the more relevant personal factors that affect perception. The factors affecting perception may be internal factors and external factors. Theoretically perception can be improved. The perceiver LIC policy holders may be affected by kinds of policies, motives of policy features of policies, reasons for preferring LIC policies. As such, in Chapters VII, VIII and IX empirical analysis have been made to understand the perception policy holders towards the features of various policies of LIC.
CHAPTER – VII

The Analysis made in Chapter – VII revealed the following findings

Majority of the policy holders took Life insurance policies for the benefit of nominees and for getting survival benefits.

Taking children’s education life insurance policies was the preference of single largest group of life insurance policy holders.

Avenue for savings was the foremost motives for taking life insurance policies.

Majority of the policyholders take Life insurance policies for a large sum assured when they find additional income.

Thirty seven percent of the policyholders pay their premiums through agent.

Ninety three percent of the policy holders were satisfied with the settlement of claims by the LIC of India.

Eighty seven percent still prefer LIC of India policies over other competitors.

Reliability on LIC is the foremost reasons for preferring LIC policies.

More than one benefit was the foremost reason for preferring other than the LIC policies.

Seventy seven percent of the respondents prefer only LIC of India policies.
Sixty six percent of the respondents consider LIC of India’s bonus on life policies greater than bank interest on savings.

Eighty four percent of the policy holders were in favour of LIC bonus instead of bank interest.

Three-fourth of policy holders consider LIC of India policies as an avenue for savings rather than risk coverage.

More than four-fifth of the policyholders consider LIC of India policies as savings cum risk coverage.

More than three-fourth of the respondents consider that innovative policies were to give more than one benefit to the policy holders.

The role of agents in popularizing the new policies was remarkable.

Nine-tenths of the policy holders were aware of the competition.

Nine-tenths of the respondents agree that the competition in the life insurance service market results in benefits to policy holders.

Three-fourths of the respondents will take life policies from the LIC of India in future in spite of the competition to the LIC of India.

The respondents were able to distinguish one plan to another plan.

Sixty one percent of the respondents of agree that the features of various plans were beyond the scope understanding.
The Analysis made in Chapter – VIII revealed the following findings

The motives of taking life policies for the benefit of nominees or only for getting survival benefits or both were independent of classification of respondents on the basis of gender.

There was a strong association between motives of takings life policies and age wise classification of respondents.

There was an association between motives of taking life insurance policies and education levels of sample respondents.

There was a significant association between motives of taking life insurance policies and occupation.

The ability to understand the feature of life insurance policies was independents of sex.

There was a significant association between ability to understand the features of Life Insurance policies and age.

There was a significant association between ability to understand the features of life insurance policies and education.

There was a significant association between ability to understand the features of Life Insurance Policies and occupation.

There was a significant association between reasons for not understanding the features of life insurance policies but which are independent of sex.
There was a significant association between the reasons for not understanding the features of Life Insurance Policies but which are dependent of age.

There was as an association between reasons for not understanding the features of Life Insurance Policies which dependent of education level.

There was an association between reason for not understanding the features of life insurance policies which dependent of occupation.

There was an association between future decisions of the respondents and sex.

There was an association between future decisions of the respondents and age.

There was an association between future decisions of the respondents and education.

There was an association between future decisions of the respondents and occupation.

There was a difference of opinion among male and female about opinion of innovation.

There was a difference age among groups which have the same opinion on innovation of new products.
There was a difference of opinion among different education groups about opinion of innovation.

There was a difference of opinion among different occupation groups about opinion of innovation.

There was a difference of opinion among male and female on opinion about competition.

There was a difference of opinion among different age groups on opinion about competition.

There was a difference of opinion among different education groups on opinion about competition.

There was a difference of opinion among different education groups on opinion about competition.

There was an association between perception of respondents over competitive results is independent of sex.

There was an association between perception of respondents over competitive results is independent of age.

There was an association between perception of respondents over competitive results is independent of education.

There was an association between perception of respondents over competitive results which is independent of occupation.
There was an opinion of respondents towards comparison of interest rates which is not same for both genders.

There was an opinion of respondents towards comparison of interest rates which is not same for all age groups.

There was an opinion of respondents towards comparison of interest rates which is dependent on education level.

There was an opinion of respondents towards comparison of interest rates which is dependent on occupation.

There was an association between satisfaction level which are independent of sex level.

The satisfaction level are dependent on age.

There was association between satisfaction level which are dependent on education.

There was association between satisfaction level which are dependent on occupation.
CHAPTER IX

The Analysis made in Chapter – IX revealed the following findings

No significant difference among age groups and no significant difference among motives of taking life insurance policies.

No significant difference in among motives of taking life insurance policies.

No significant difference in the occupation of respondents towards motives of taking life insurance policy and no significant difference among motives of taking life insurance policies.

No significant difference among age groups in taking future decisions and also no significant difference among the classes of future decisions.

No significant difference among respondents on the basis of education towards future decisions and no significant difference among the classes of future decisions.

No significant difference among respondents on the basis of occupation towards taking future decisions and no significant difference among classes of future decisions.

No significant difference among respondents on the basis of age in expressing their satisfaction over the settlement of claim by the LIC and no significant difference among the levels of satisfaction.
No significant difference among respondents on the basis of education towards in expressing their satisfaction over the settlement of claim by the LIC and no significant difference among their level of satisfaction.

No significant difference among respondents on the basis of occupations in expressing their satisfaction over the settlement of claim by the LIC and no significant difference among level of satisfaction.

Thus no significant difference among age groups, motives of taking insurance policies, classes of future decisions, among level of satisfaction. Like-wise no significant difference among respondents on the basis of education towards in expressing their satisfaction and satisfaction over the settlement of claim.