CHAPTER V
SUMMARY, FINDINGS, SUGGESTIONS AND CONCLUSION

The final chapter aims to conclude by providing a summary of the earlier section. It helps us to have a quick look on the key findings from the interviews conducted. The interviews conducted have generated some exceptionally interesting results with the help of the literature review and has provided a large room for further studies and research.

5.1 Summary

The Indian insurance industry is witnessing a lot of changes post-liberalization. Changing customer preferences and expectations are leading towards the introduction of new products, new services and new distribution channels. There is a shift from the old and the traditional, and a desire to replace it with something more contemporary, as a fall-out of the effects of globalization; greater urbanization; job mobility; changing family structures; and an increasing contribution by the service sector. What the consumer finds acceptable and attractive is being determined by economic factors like income, inflation, interest rate, government tax structure, the general economic ambience, as well as the pricing of insurance. Buyer behaviour is influenced by demographic factors like the ageing pattern, household structure, industrialization, and urbanization, social and cultural factors.

Thus, it could be fairly stated that there is a perceptible change in the insurance business globally, and India is no exception. The insurance sector has a very important role to play in the economic growth of a country. It provides a safety net to the individual, and simultaneously encourages the savings habit. The insurance industry plays a critical role in economic expansion and growth by providing critical financial intermediation services and by transferring funds from the insured to capital investment. The industry thus aids long-term fund generation for the growth of the infrastructure. Due to the long-term liability profile of insurance companies, the infrastructure sector is the ideal investment
for them since there is a congruent asset liability match. A mature insurance industry is required for offering social security and pension to the citizens. The development of the insurance sector is of vital importance to support the structural changes in the economy.

Since the end of the year 2005, policy holders have shown their interest in investing Unit-Linked insurance products, popularly known as ULIP. In a ULIP, the invested amount of the premiums after deducting for all the charges and premium for risk cover under all policies in a particular fund as chosen by the policy holders are pooled together to form a Unit fund. The interest shown by people in the Unit Linked Insurance Plans is because of the many benefits these plans offer such as high growth potential, life risk cover, transparency, tax benefits and premium payment flexibility etc. It is one of the best methods of investments if one is living in an economy that is booming and is on the path to growth. The units that are part of the share market are bought with money invested by the policy holder and as the equity market grows, the money invested by the policy holders also increases and gives a good return. Thus, ULIP has been a popular insurance medium. It is critical for a policy holder to understand how his money gets invested once he purchases a ULIP. This research work aims to make a detailed study of policy holders’ level of awareness towards Unit Linked Insurance Plans (ULIPs) in the Indian context, to analyse their perception towards unit-linked insurance policies and their level of satisfaction towards Unit-Linked insurance policies.

The objectives of the study aims: to study the socio-economic status of insurance policy holders in the study area, to analyse policy holders’ level of awareness towards life insurance schemes, to evaluate the factors that influenced the people to own a life insurance policy and policy holders’ perception towards wealth insurance schemes, to measure the level of awareness gained by the sample population towards ULIP policies and to evaluate the level of satisfaction derived by policy holders who have invested in Unit-Linked insurance schemes.
The research methodology of the study consists of two stages exploratory and descriptive research. As the IRDA report (2009) at the beginning of 2007, there were 16 registered life insurance companies in Coimbatore district, with one public sector Company and 15 private insurers. All the sixteen companies are taken for the study as sample group. The data bases of the customers are partially collected from the insurance office, insurance advisors and friends and affluent persons. The population size of the study constitutes 500 households (i.e.125 sample households from each geographical region were collected) that make a sum of 500 households. In this stage convenience sampling techniques was adopted. With the help of references groups the sample households were interviewed. At the end of data collection it was observed that 20 interview schedules did not provide enough information, so those 20 interview schedules were defected. Thus, the total sample households surveyed are 480 subjects. The study has used both primary and secondary data.

5.2 Findings of the Study

The major findings of the study are summarised in this sub-section of the study:

1. Demographic and Socio-Economic Profile of the Policy Holders
   - It has been observed that the out of 480 households surveyed 74.60 per cent of sample households are male, 25.40 per cent of sample households are female.
   
   - It has been found that 25 per cent of the households are under the age group of 31-35 years. Further it has been observed that 35 per cent of the households have completed post-graduation.
   
   - From the study it has been concluded that 58.50 per cent of the households are employees in either public or private sector organization
and it has been found that 57.70 per cent of the households were living in their own house.

- It has been found that 36.50 per cent of the households’ monthly income ranges between `.10,001- `.15,000.

- From the study, it has been observed that 48.50 per cent of households have two earning members in their family. It has been concluded that 40 per cent of the households have two dependents members in their family.

- It has been observed that majority i.e., 61.90 per cent of the households have said that they have additional sources of earning that is added to their monthly earning of their family and 40.07 per cent of the households are earning additional incomes as rent from lands/building investments. It has been found that majority i.e., 89.60 per cent of the households are allocating 5 per cent-10 per cent of their income for insurance policy savings.

- With the support of multiple regression analysis, it has been concluded that there exists close association between the monthly family income and the insurance saving allocation.

II. Level of Awareness on Life Insurance Policy

- It has been found that majority i.e., 65.20 per cent of the households have moderate level of awareness about life insurance policies marketed in India.

- From the study it has been understood that cent per cent of the sample population are aware of LIC as major life insurance company operating in India. It has been concluded that 54.80 per cent of the sample subjects do get adequate information regarding their insurance companies and their regular functions/operations.
• From the study, it has been inferred that the friends/relatives have been considered as the primary sources of information through which majority of the surveyed population have learned about various life insurance companies operating in India.

• The result of F-test indicates that there exists association between the influences of various medium/media of information on the customers to own an insurance policy and their socio-economic status.

• It has been concluded that majority i.e., 64.60 per cent of the households have learned about life insurance policies through traditional channel and 33.53 per cent of sample households have said that in new marketing channels they are highly influenced by the retail chains, i.e., third party assurance business.

• The results of ANOVA test indicated that there exists no association between the influences of various traditional and new distribution insurance channels on the customers to own an insurance policy and their socio-economic status. Thus, it could be inferred that the role of insurance agents in influencing customers to own a life insurance policy is much based on their occupation status, it is not related to his/her socio-demographic status.

• It has been observed that 68.60 per cent of the sample populations on an average have gained a high degree of financial literacy about insurance plans i.e., 3.43 on Likert’s scale of five.

• With help of results of ANOVA test it has been concluded that the socio-economic status of policy holders does not directly influence their level of awareness on decision making parameter i.e., investing in insurance policies. And except in the case of age, educational qualification, occupation and monthly income.
III. Investment Attitude

- It has been inferred from the elaborate data analysis that most of the households prefer to save their money in bank deposits, which is one of the safe and most preferred traditional mode. Similarly 44 per cent of the households have opined that they invest money to avail tax cut benefits.

- It has been observed that 50.40 per cent of sample subjects invest the money once in a year and 28.80 per cent of the policy holders get the low risk bonus to manage their life insurance scheme.

- From the detailed data analysis, it has been inferred that 89.20 per cent of the households have opined that they compare the insurance products to susceptible risk level with other investment options available in the market.

- It has been clear from data analysis that majority i.e., 42.50 per cent of the households have expressed that investing in wealth insurance will give them saving avenues with adequate tax savings and it also protect them & their family at time of financial risk/crisis.

- From the result of chi-square analysis, it has been inferred that there exists association between policy holders’ behaviour of comparing insurance products with other investing options and their understanding about the term wealth insurance.

IV. Insurance Purchase Behaviour

- From the study it has been concluded that safety of money features of insurance plan/schemes have attracted nearly 74 per cent householders to own a life insurance policy.
• From the result of Kendall’s co-efficient, it has been inferred that there exists no similarities in the policy holders' perception towards feature of insurance plan/schemes.

• It has been observed that 37.07 per cent of the policy holders have made their investment in LIC life insurance. It could be observed that majority of the sample householders have brought one to three policies from various insurance companies both for individual and family life protection.

• It has been clearly inferred that 26.88 per cent of the households have investment endowment insurance policy. It has been found that majority i.e., 37.90 per cent of the policy holders have owned insurance policy at the value between `50,001- `1,00,000 towards their life protection. It is clear that majority i.e., 48.10 per cent of the policy holders have said that they pay `10,000 or lesser than its amount towards their life insurance premium per annum.

• From the detailed analysis it has been concluded that 58.80 per cent of the policy holders remit their premium amount monthly. Further it has been observed that 31.05 per cent of the policy holders pay the premium through agent.

• It has been understood that majority i.e., 96.90 per cent of the households have opined that their current practices of premium payment mode as convenient i.e., it suits their present work-style status.

V. Unit-Linked Insurance Policy

• It has been clearly inferred that 68.40 per cent of the households have started their saving at the age group of 26-30 years, i.e., once they started working.
• From the detailed data analysis, it has been inferred that 50.40 per cent of sample households do not have enough awareness about the ULIP offered by various insurance companies based in India.

• It has been concluded that majority i.e., 40.40 per cent of households have said that they gained moderate level of awareness about Unit-Linked insurance plans that offer both insurance and investment returns.

• It has been found that majority i.e. 55 per cent of sample households have opined that they are well aware of retirement based ULIP policy(s). It is clear that 70.40 per cent of households have said that they are aware of various types of ULIP fund plans available for investment.

• From the study, it has been observed that the majority of the sample population are aware of equity funds-(medium to high risk) investment pattern in ULIP, it has secured first rank with an average score of 4.07.

• From the study it has been concluded that majority i.e., 41.50 per cent of the households have expressed their liking towards invested in cash funds (i.e., low risk investments), therefore their risk appetite for ULIP is low and they are considered as risk averters.

• It has been concluded that households have expressed moderate level of awareness towards reputation and performance about ULIP products. It has been placed first with an average score of 2.88.

• From the study it has been clearly inferred that policy holders are very much aware about the fact that investment in ULIP may give them huge returns but it has high risk too (i.e., no guarantee of even minimum returns), this variable is rated first with an average score of 3.22.
• It has been clearly inferred that 55.80 per cent sample households are aware of the changes in lock-in-period (increased to 5 years) made by IRDA in related to ULIP operations.

• It has been found that 65.80 per cent (mean score of 3.29) of the surveyed policy holders have expressed that they are aware of fund management charge applicable in ULIP policy operations.

• It has been understood that 4.64 of the policy holders on an average out of 480 surveyed have opined that investment in ULIP schemes gives them both risk cover and secure insurance investment.

• From the result of Kendall’s co-efficient, it is inferred that there exists no similarities in the policy holders' opinion on the reason for considering ULIP policy as prosperous.

VI. Level of Satisfaction and Perception of Customers about Insurance

• It is concluded that majority of the policy holders have expressed satisfaction towards service feature of intimation of premium payment on time by their insurance company(s) and it is ranked at first with a mean score of 4.30.

• The result of the Cronbach’s Reliability Analysis and F-test establishes a significant reliability between the variables tested (0.756 i.e., 75.60 per cent). Therefore, the null hypothesis framed stands accepted and it is concluded that policy holders' level of satisfaction towards the services rendered by their life insurance company(s) differs from one's view point to others.

• It has been concluded that 4.05 of the customers on an average score in Likert’s five point scale measure have expressed very high degree of satisfaction towards the application filling service rendered by the life insurance agents.
• The result of the Cronbach’s Reliability Analysis and F-test establishes a significant reliability between the variables tested (0.620 i.e., 62 per cent). Therefore, the null hypothesis framed stands accepted and it is concluded that policy holders' level of satisfaction towards agencies services rendered by their life insurance company differs from one's view point to others.

• From the study it has been inferred that 86.50 per cent of the households till date have not submitted policy for claim and among the customers who have submitted their policy for claim settlement, 66.15 per cent of the households have said that their claim settlement were hassle free.

• From the detailed data analysis, it has been concluded that 36.36 per cent of the households have opined that their claim were processed slow. Further it has been concluded that 82.50 per cent of sample households have opined that they did not discontinue their policy(s).

• It has been concluded that majority i.e., 45.23 per cent of the households recognized that financial constraint as the primary reason for discontinuing their current insurance policy and 56.70 per cent of the households have said that they would prefer to recommend their insurer to their friends and relatives.

• It has been found that as per the survey results, policy holders on change in the attitude of the population towards life insurance have secured first rank with an average score of 3.72.

5.3 Suggestion

i. For the Insurance Companies

Insurance markets around the world are changing. Policyholders want to enjoy the benefits of equity investment in conjunction with insurance protection, and insurers around the world have developed equity-linked contracts to meet this challenge. Evaluation of these products is not straight and
easy, if not complicated, as the product has both insurance and investment elements. Investment performance and charges are the two main components determining the level of return in this nascent market as far India is concerned. From the detailed data analysis, it has been inferred that 50.40 per cent of sample households do not have enough awareness about the ULIP (Unit-Linked insurance) offered by various insurance companies based in India, thus:

- Life insurance companies functioning in India must realize the fact that consumer education about Unit-Linked life insurance not only helps individuals to understand the products and risks involved better, but is also a necessity for market efficiency, as it contributes to more transparent and competitive practices by the insurance service providers. It also produces better educated citizens who can monitor markets through their own decisions. Though IRDA continues its consumer awareness initiatives through various media-print, radio and television on various policyholder protection subjects such as rights and obligations of policyholders, information regarding grievance redress channels and also about developments on the regulatory front for protecting policyholders in the area of insurance product features, etc. It cannot succeed in this venture until the new private sector life insurance companies extent their support and strategic vision in promotion of ULIPs.

- The socio economic details of the sample households reveal that majority of the respondents who invest in insurance are from an educated background, salaried occupation and only adults family type. But their levels of awareness about ULIPs are moderate or low. From the study it is understood that majority of the sample households are occupation and total dependent on their monthly income are the critical factors which determine whether a person saves for the purpose of saving, risk or tax. For the high income group, low attraction for life
insurance is mostly on account of lower appreciation of the need for insurance. Presently, life insurance is seen as a mechanism through which policy holders can both generate personal savings and receive a tax break. Often, these considerations act as incentives to buy life insurance policies. The real growth in life insurance will occur when customers realize the true value of life insurance beyond tax saving. Hence, it is necessary to highlight the long term saving implications of life insurance by the government and the private players by advertisements. The awareness of importance of getting life insurance should be created by the government among the uneducated, low income group and the households having more earning members.

The new generation private sector both domestic and foreign insurance companies must understand the ground reality that the market share of LIC decreases after the entry of private insurer but it doesn’t mean that the growth of LIC has gone down. LIC continue its growth even after a cut throat competition from the private players. To conduct competitive business according to honesty and fairness and to render these services to its customers, the private and foreign companies should focus on these issues:

- To provide competent and customer focused sale and service.
- To engage in active and fair competition.
- To provide advertising and sales material those are clear as to the purpose and honest and fair as to content.
- To provide for fair and expeditious handling of customer complaints and disputes.
- To maintain a system of supervision and review that is reasonably designed to receive complaints with these principles of ethical market conduct.

Private insurance can bring a paradigm shift in insurance sector if they resolve the above stated issue.
A portfolio must also consider the smaller investment ideology because majority of India’s population consists of the less income groups and lower middle class groups who are not interested in investing much. Generally, these people are investing in safe low risk bank deposits or in unauthorized chits which are running on the basis of belief and nothing else. This is called the opportunity arena if a company focuses on these groups and if it can turn them towards the investing options provided by them, then automatically the company can see a drastic change in its business arena. It can fetch large scale of funds. So encouraging people to invest in less numbers may look small from the point of one customer but is an opportunity to the company from the perspective of many customers where it can have great amount in hand and also it can grow rapidly.

Most of the Indian corporate companies planning to enter the Indian life insurance market have no prior experience in the insurance business. But they can pay attention to gain knowledge i.e., valuable insights into the psyche of the typical Indian consumer. Their knowledge of the market and the role of distribution channel can act as a key ingredient for the successful delivery of insurance products and in gaining a substantial value addition to their customers’ relationship. Thus, the followings are the recommendations and the suggestions to the life insurance companies:

- Private companies should try their level best to create positive and favourable image in the minds of people i.e. in the minds of their target customers.

- Company must provide training to their agents and financial executives so that they can clear customers’ doubts effectively.
The new insurance companies must learn the skills of earning customers’ loyalty, because in today’s marketing scenario a valuable customer is regarded as “a king”.

The Company must co-operate with branch managers and agents in all geographical location as far as in a vast country like India, with number of regional dialogues and cultural/social imbalances.

The team manager appointed by the company must be capable of controlling the whole team and improve the goodwill and image of the company.

The marketing department must be so aggressive that it can have a close watch on the competitors’ activities. Not only this, but also it must take care of the need and wants of the customers at the earliest note.

Future insurance companies must offer good incentive schemes to its agents and other channel distributors of policies as these incentives can acts as good motivators for the agents. The scheme of permanent job placement must be introduced for those agents who will exhibit extraordinary performance.

Future insurance companies must conduct regular meetings with the financial consultants and agents to the current happening in the market, to motivate agents and other channel distribution members to sell more policies and also to solve grievances if there are any.

ii. For IRDA

- Private insurance industry is in very nascent stage. It requires some extra care. Therefore IRDA has to play twin roles both as regulations as well as development agencies. It is said that no game is possible
without rules but too many rules spoil the game. Hence the regulator has to ensure a balance in the enactment of the regulations.

- Since the charges, especially steep front charges, affect the returns to policyholders, IRDA has to frame restrictions / regulations on charges of Unit Linked products.

- Most of the Unit Linked products in the market today levy 100% surrender charges in the initial years of the policy. This freezes the investment of the surrenders in early years. The author suggests that regulator should closely work with the players and actuarial professionals to fix limits on surrender values.

- Product features regulation requires immediate regulatory attention. The current practice of disclosing the salient features leaves lot of confusion in the minds of prospective customers rather than clarifying. The product literature should be avoided using of jargons. Standard terminology and format should be used to avoid confusion. The SEBI’s Offer Document on Mutual Funds may be referral point for this.

- Policy regulator must take into notice that with the outsourcing of NAV calculation and dissemination, it is preferable if the NAV of the products are disclosed on a daily basis, like mutual funds. This would help unit holders to take advantage of market movements without any delay. In addition to the NAV, the details about the fund managers, benchmark index for comparing the investment performance of the fund etc., be disclosed at regular intervals.

- A point to be noted that in case of mutual funds, SEBI prescribes that separate funds are to be maintained for each product / scheme and inter scheme transfers are allowed subject to certain conditions. A
similar practice should be followed in case of Unit Linked products meant (for Growth, Balanced and Secured options) for both the products even though they are launched at different points in time.

- The regulators should see to it that more transparency should be brought out as far as the different types of expenses relating to the plans are concerned in the interest of the policyholders.

iii. For Common Households
- From the study it is understood that majority of the households surveyed have expressed preferences for safe low risk investments. They must realize the fact that ULIP is not a risky investment because it covers some part of insurance and the other that are units which he can trade. This option will generally be preferred by this age group people to secure the future of their children or because of some other ideology.

- At the same time ULIP policy holders must learn to compare different charges like premium allocation charges, fund management charges and mortality charges charged by the insurers before making buying decisions because it has been observed that these charges are not shown in full in a brochure displayed by the company as this may harm policy holders’ decision of buying a ULIP product.

5.4 Conclusion

While almost all the industries in the world are trying hard for survival due to the major economic meltdown, Indian life insurance industry is one of the sectors that is still observing good growth. It is the changing trends of Indian insurance industry only that has made it to cope with the changing economic environment. Indian insurance industry has modified itself with the passage of time by introducing customized products based on customers’ need, through innovative distribution channels, Indian life insurance industry searched its path to grow. Changing government policy and guideline of the
regulatory authority (IRDA) have also played a very vital role in the growth of the sector. Move from non-linked to unit linked insurance policies is one of the major positive changes in Indian life insurance sector. Similarly, opening on the sector for private insurer broke the monopoly of LIC and bring in a tough competition among the players. This competition resulted into innovations in products, pricing, distribution channels, and marketing in the industry. Though the sector is growing fast, the industry has not yet insured even 50 per cent of insurable population of India. Thus, the sector has a great potential to grow. To achieve this objective, this sector requires more improvement in the insurance density and insurance penetration. Development of products including special group policies to cater to different categories should be a priority, especially in low income middle class in urban area and the uninsured population in rural areas.

The study reveals that the surveyed households have revealed low awareness about ULIPs. Insurance companies should reach out to those who are educated, young employed and uneducated and the lower age group people by awareness campaigns through popular media advertisements. Awareness of insurance as a long term saving should be created both by the government, public and private insurance companies. The life insurers should conduct more extensive market research before introducing insurance products targeted at specific segments of the population so that insurance can become more meaningful and affordable. By adopting appropriate strategy along with proper government support and able guidance of IRDA, India will certainly become the new insurance giant in near future. The author strongly believes that if the shortcomings shown by the study are removed from the ULIPs products by the insurers, they can become more effective and will be benefited by them.

5.5 Further Scope for the Study

Unit Linked Insurance Plans (ULIPs) are the creation of the innovative minds of the insurers in the post reform period. The plan renders two benefits at the same time investment and safety cover to the insured. The maximum
business of all the life insurers is coming out of the sales of these products now days. The responsibility of the insurer is very limited in this type of insurance agreement, but lured by high growth opportunities in the investment, the customers go for them. But there must be transparency in functioning of the life insurers and product must be economical for the customers. The plan should not be focused on urban areas and rich customers only, rather they should also take care of the rural folks who are poor, as India is a rural country whose approximately two third population lives in villages. Thus, in near future a study on the rural consumers’ awareness and understanding on ULIP can be conducted. An understanding on consumers’ needs and want will help market to conduct the business in more prefect terms.