Chapter 8

CUSTOMER PREFERENCE TOWARDS LIFE INSURANCE POLICIES WITH SPECIAL REFERENCE TO PERINTHALMANNA MUNICIPALITY

Ms. Sandhya P T

Assistant Professor (Adhoc), PG Department of Commerce, KAHM Unity Women's College Manjeri, Malappuram, Kerala - 676122
Email: ptsandhya07@gmail.com

Abstract

The life and property of an individual are surrounded by the risk of death, disability or destruction. These risks may result in financial losses. Insurance is a best way to transfer such risks to an insurance company. Insurance is a legal agreement between two parties i.e. the insurance company (insurer) and the individual (insured). In this, the insurance company promises to make good the losses of the insured on happening of the insured contingency. The contingency is the event which causes a loss. There is wide range of insurance policies, each aimed at safeguarding certain aspects of your health or assets .life insurance is one of the main classifications of insurance.

Keywords: Life insurance, Customer preference

Introduction

LIC is the most trusted and popular brand in life insurance. The market share of private insurers are gradually increasing with people trust. The new private insurers are gradually increasing with people trust. The new private players offer many new innovative products and services. A complete list of top life insurance companies in India registered by the Insurance Regulatory and Development Authority of India (IRDA). The insurance sector in India has evolved through a number of phases. Life insurance Corporation of India (LIC) comes into operation on 1st Septemper, 1956 after nationalization of all the 245 companies which ever engaged in life insurance business. When the LIC had been playing a monopoly in insurance sector, the government of India started allowing private players in the year 2000 with the Foreign Direct Investment (FDI) limit of 26%. As a result, LIC had started to witness the market share to go

gradually into the hands of the private sector organization. Later in 2014, the government has increased the FDI limit from 26% to 49%. This has made the private sector organizations competitive enough to attract a significant market share from LIC. The competition among the players in life insurance made the consumers compare their performance factor on the alternatives and to go for their desired product.

Importance of study

The insurance industry is one of the fastest growing industries in the country and offers abundance growth opportunity to life insurance. When compare with developed foreign countries, the Indian life insurance industry has achieved only a little because of level of awareness, ineffective marketing strategies etc.

Insurance companies play an important role in the well-being by providing protection to millions of people against life risks such as uncertain death or accident. Even the life insurance is fastest growing service sector in India after privatization and increase in FDI. Thus it has become essential to study the buying pattern of the life insurance policies. "The Study on Customer Preference towards Life Insurance Policies with special reference to Perinthalmanna municipality" basically intend to discover and examine the factors affecting customers buying decision towards investment in life insurance policies in Perinthalmanna municipality.

Objectives of the Study

1. To identify the customer preference while selecting life insurance scheme as an investment decision.
2. To study about various factors influencing customer investment decisions regarding life insurance.
3. To measure awareness level of customers about various insurance schemes offered by life insurance companies.

Hypothesis

1. Ho: there is no significant relationship between monthly income and insurance premium.
2. Ho: there is no significant relationship between occupation and policy duration.

Methodology of the Study

The study was mainly conducted by adopting questionnaire method alone with personal interview and different books and journals are used for collecting secondary data. The sample size of the study is 70 life insurance policy holders in Perinthalmanna municipality. Convenience sampling techniques is used for research purpose, selects the most accessible sample from the population to obtain information. Chi-square test, Weighted average method, Rank and Percentage are the main tools used for data analysis.

Data analysis and Interpretation

1) **Preference towards Life Insurance Companies**

Table 1: Preference towards Life Insurance Companies

Insurance Companies	Ranks					Total
	1	**2**	**3**	**4**	**5**	
LIC	12	14	9	10	25	70
HDFC standard life insurance	13	16	9	16	16	70
SBI life insurance	17	10	19	9	15	70
Bajaj Alianz	17	13	20	10	10	70
ICICI prudential	11	17	13	25	4	70

Sources: Primary data

Table 2: Weighted Ranking of Companies

Insurance Companies	Rank					Total	Weighted Average	Rank
	1*5	**2*4**	**3*3**	**4*2**	**5*1**			
LIC	85	52	60	20	10	227	3.24	1
HDFC standard life insurance	55	68	39	50	4	216	3.09	2
SBI life insurance	85	40	57	18	15	215	3.07	3
Bajaj Alianz	60	56	27	20	25	188	2.69	5
ICICI prudential	65	64	27	32	16	204	2.91	4

From the above table it is clear that majority of the respondents' mostly preferred insurance company is LIC, secondly HDFC standard life insurance company and there have marked 5th position for Bajaj alliance.

2) Factors Considered as Most Important while Choosing the Insurance Plan

Table 3: Factors Considered while Choosing the Insurance Plan

Factors	Ranks								Total
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	
Risk coverage	8	0	2	5	17	13	9	16	70
Tax relief	9	8	15	9	14	5	7	3	70
Safety &security	0	3	4	4	15	15	15	14	70
Service quality	5	7	3	12	0	12	21	10	70
Reliability	11	21	3	14	5	8	3	5	70
High return	15	10	18	5	9	0	2	11	70
Company reputation	4	4	11	17	8	7	12	7	70
Others	18	17	14	4	2	10	1	4	70

Source: Primary data

Table 4: Weighted Ranking of Factors

Factors	Rank									Weighted Average	Rank
	1*8	**2*7**	**3*6**	**4*5**	**5*4**	**6*3**	**7*2**	**8*1**	**Total**		
Risk coverage	120	70	108	25	36	0	4	1	394	5.63	2
Tax relief	72	56	90	45	56	15	14	3	351	5.01	4
Safety &security	144	119	84	20	8	30	2	4	411	5.87	1
Service quality	40	49	18	60	0	36	42	10	255	3.64	6
Reliability	88	147	18	70	20	24	6	5	378	5.4	3
High return	64	0	12	25	68	39	18	16	242	3.46	7
Company reputation	32	28	66	85	32	21	24	7	295	4.21	5
Others	0	21	24	20	60	45	30	14	214	3.05	8

From the above table it is clear that safety & security is considered as most important factor while taking insurance policies of life insurance. Secondly consider the risk factors involved and thirdly the reliability of the policy. As a selection factor high return and reputation are considering only in 7th and 5th rank.

3) Awareness Level of Policies

Table 5: Awareness level of policies

Policies	Fully aware	aware	Somewhat aware	Less aware	Not at all aware	Total
Whole life policy	20	25	18	6	1	70
Money back policy	22	28	15	2	3	70
Endowment policy	11	18	20	17	4	70
Health insurance	23	28	12	7	0	70
Pension plan	11	29	18	12	10	70
Child insurance plan	20	24	5	7	14	70
ULIPS	5	6	14	20	25	70
Term insurance	24	22	21	16	7	70

Source: Primary data

It is clear from the above table most of the respondents are aware about health insurance policy and only few of them aware about money back policy. The least of them about the ULIPS and term insurance.

4) Chi-Square Test 1

Ho: There is no significant relationship between income and insurance premium.

Table 6: Chi-square Test 1

Calculated chi- square value	4.6489
Degree of Freedom (r-1)(c-1)	8
Level of Significant	5%

Table value	15.507
Acceptance or rejection of H0	Accept

Here, calculated value is less than the table value (4.6489>15.507). So we accept the H0 hypothesis and we reject the H1 hypothesis.

5) Chi -Square Test 2

Ho: There is no significant relationship between occupation and policy duration

Table 7: Chi-square Test 2

Calculated chi- square value	8.16
Degree of Freedom (r-1)(c-1)	16
Level of Significant	5%
Table value	26.296
Acceptance or rejection of H0	Accept

Here, calculated value is less than the table value (8.16>26.296). So we accept the H0 hypothesis and we reject the H1 hypothesis.

Findings

1) 68% respondents are selecting LIC as an insurance company for taking insurance policy.

2) Most of the respondents hold health insurance policy (39%) and money back policy (29%)

3) 28% respondents are responding that the main reason for taking insurance policy is its future benefits

4) Majority of customers having the feel about the premium of insurance plan is moderate.

5) Customers' safety & security is the most important factor considered while choosing the insurance plan.

6) The majority of the respondents are faced the problem of delay in settlement regarding their insurance company.

7) 39% respondents are agreeing about the statement of "making investment in life insurance policies are the best investment decision".

Conclusion

Insurance is a tool by which small amount of fund collected from various policy holders and safeguard against uncertain events that may occur in the future. Every customer is providing highly importance to company image as a criterion before taking a life insurance. This is mainly because of customers are expect safety and security for their money. LIC is the dominated insurance company in the Indian insurance industry. Now various other private insurance companies are entered in this field like HDFC, ICICI etc. private sector should try to win the trust of investors. most of the respondents are aware of life insurance through agent. Also that majority of the respondents are agreeing that making investment in life insurance policies are the best investment decision. But some of them have faced problems with the insurance companies for their delay in settlement of insurance amount.

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