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## Customers Perception for Taking Life Insurance: A Critical Analysis of Life Insurance Sector in Nagpur

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*"If a child, a life partner, or a parent depends on you and your income, you need life insurance."*

– Suze Orman

**Abstract:** Human life is a most important asset and life insurance is the most important type of insurance which provides financial protection to a person and his family at the time of uncertain risks or damage. Life insurance provides both safety and protection to individuals and also encourages savings among people.

The present study was selected with an objective to analyze the preferences of customers while life policy investment decision-making. Various reasons to take insurance policies have been discussed in the paper. The data for the study has been collected from both primary and secondary sources. The study area is limited to Nagpur District of Maharashtra. The paper concludes with that most of the respondents take insurance policies for 'Savings' and 'Wide risk coverage'.

**Keywords:** Customers, Life Insurance Policies, Reasons to take Life Insurance.

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### I. INTRODUCTION

Insurance is a tool by which fatalities of a small number are compensated out of funds (premium payment) collected from plenteous. Insurance is a safeguard against uncertain events that may occur in the future. It is an arrangement where the losses experienced by a few are extended over several who are exposed to similar risks. It is a protection against financial loss arising on the happening of an unexpected event. Insurance companies collect premium to provide security for the purpose. Loss is paid out of the premium collected from people and the insurance companies act as trustees to the amount so collected.

#### 1.1 LIFE INSURANCE

Life insurance is a contract between the insurer and insured for the payment of a sum of money to the person insured for the loss arising from the risk insured against. In return the policy owner agrees to pay a stipulated amount at regular intervals or in lump sum. A life insurance company collects contributions called premium and pays out compensation as claims. The amount of risk cover is called "sum assured" and evidence for an insurance contract is an insurance policy. Upon the insured's death the insurer requires acceptable proof of death before it pays the claim.

Life insurance has emerged as the most vibrant segment in the financial sector in India since the liberalization of the market. Life insurance industry is a dominant institutional player in the financial market impacting the health of the economy through its multi-dimensional role in savings and capital market. While the primary role of a life insurance company is to provide insurance

coverage for managing personal financial risks, it plays a very crucial role in promoting savings by selling a wide range of products and actively contributes in promoting and sustaining the capital market of a country.

## 1.2 REASONS FOR TAKING LIFE INSURANCE

Life insurance policy helps in not only mitigating risk but also provides a financial cushion against adverse financial burdens suffered. A life insurance policy is distinct from other financial instruments because of the risk cover provided. It is one of the basic needs of an individual; every individual for his own sake and for the sake of his family should invest in life insurance. Life insurance provides for risk, life and health cover, investment, savings and tax shelter.

## II. REVIEW OF LITERATURE

Dr. Ashfaque Ahmed (2013) in his study "perception of life insurance policies in rural India" revealed that there is low level of awareness and understanding of life insurance products. There are various factors that influence consumer thinking when they are planning to invest in insurance scheme. Most of the customers show their interest in life insurance having higher risk coverage and also for good return with safety. The roles played in perception of life insurance policies in rural market by members of the family varies with knowledge parameters as well as with the typed of products and sometimes with the company name also. While a number of psychological variables are useful in obtaining into consumer's perception towards buying life insurance policies in rural areas. The insurance company name also plays an important role in purchasing.

Basha, Kumar and Rao (2012) studied the policyholders' perception towards LIC of India by conducting a survey in urban and semi-urban centers. Chi-square test was used to test the hypothesis. It was found that majority of them were influenced by agent's opinion of a policy, significant number felt that premium is high, majority preferred money back policy and the policyholder expected a return of 11-15 percent from their investments.

Ghorpade and Deshmukh (2012) analyzed the customer perception, purchase behavior and consumer awareness regarding the life insurance industry. Primary data was collected from 500 respondents in Pune city that was analyzed through rank correlation and chi-square test. It was found that only 5.6% purchased the policy as a risk cover, while the remaining for tax purpose and/or investment purpose. LIC was the preferred insurance company. Among the private players ICICI Prudential was the most preferred company followed by HDFC Standard Life and together they accounted for nearly half the share in premium collection. Customer preference for a particular company was based on returns, premium, awareness campaign by company, product mix and advertisement. They concluded by laying emphasis on quality, accessibility and promptness of service.

Narayan. H. Jai (2009) in an article has made an emphasis on importance of customer in the business of insurance. He explained in phase of growing market competition, there is an intense need to go beyond mere efficiency in designing products. To understand the customer's needs and to convey what they have to offer would perhaps bring in higher efficiencies in customer service. Insurance business revolves around the customer and fair treatment to customers is need of an hour to win their loyalty and trust. In a service based organizations, customer service is the most dominating feature that differentiate and gives good return to the insurers. Proper dealing with customer complaints, effective customer grievances handling mechanism and fast claim settlement procedure are some of the ways through which satisfaction level of customers can be increased. Hence to serve the customers promptly and effectively is the key success of a life insurance business.

Athma P. & Kumar R. (2007) in the research paper titled "an explorative study of life insurance purchase decision making: influence of product and non-product factors". The empirical based study conducted on 200 sample size comprising of both rural and urban market. The various product and non-product related factors have been identified and their impact on life insurance purchase decision-making has been analyzed. Based on the survey analysis; urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non-product related factors such

as: credibility of agent, company's reputation, trust, customer services. Company goodwill and money back guarantee attracts many people for life insurance.

### III. RESEARCH METHODOLOGY

It is a systematic effort to achieve the truth. It includes the identification of study area, the procedure for collecting data, analyzing the data and finding the conclusion or truth based upon the scientific procedure. Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic procedure for obtaining pertinent information on a specific topic. In fact, research is a careful, systematic and scientific investigation or inquiry for search of new facts in any branch of knowledge.

#### 3.1 Objectives of the Study:

- » To explore the various reasons influencing customers to take life insurance.
- » To study and rank the reasons responsible for taking of life insurance.

#### 3.2 Hypothesis:

- » The level of **importance of various reasons for taking life insurance** is not equal.

#### 3.3 Research Design:

A research design is simply the framework or plan for a study that is used as a guide in collecting and analyzing the data. It is a blueprint that is followed in completing a study. It is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

Particular	Research Design
Sample size	200 customers of life insurance
Nature / Type of the Study	Descriptive Research
Sampling Technique	Convenience Sampling
Area of the Study	Nagpur District
Descriptive Statistics	Mean

#### 3.4 Data Collection Technique:

Primary data is obtained by Questionnaire Method. The data collection tool is structured questionnaire. While drafting the questionnaires the researcher incorporated close-ended and open ended questions. In some of the Close ended or the selection type questions the respondents were asked to rate the level of importance on a 5-point scale. We codify respondents' opinions according to the following codes in a way that Likert's structure is acceptable for the questionnaire: 5-point scale where "1" refers to Strongly Disagree (SDA), "2" refers to Disagree (DA), "3" refers to Neutral (N), "4" refers to Agree (A) and "5" refers to Strongly Agree (SA).

### IV. DATA ANALYSIS AND INTERPRETATION

Generally, the objectives of taking life insurance cover differ from person to person. One may buy it with more than one objective in mind. The prime objectives include savings, wide risk coverage, reasonable premium, quick settlement of previous claims, image and popularity of the policy, tax shelter, known agent/officials.

**Table No. 1: Reasons for Taking Life Insurance**

Sr. No.	Reasons	SD A %	D A %	N %	A %	S A %	Total %
1	Savings	2	3	2	41	52	100
2	Wide risk coverage	4	5	6	38	47	100
3	Reasonable premium	6	26	21	28	19	100
4	Quick settlement of previous claims	5	12	8	34	41	100
5	Image and popularity of the policy	14	21	20	22	23	100
6	Tax shelter	11	32	18	15	24	100
7	Known agent / Officials	4	23	16	25	32	100

Source: Primary Data

**Interpretation:** It is clear from above table that 52% of the respondents have strongly agreed with the opinion 'Savings', 47% of them have agreed with the opinion 'Wide risk coverage', 28% of them have agreed with the opinion 'Reasonable premium', 41% of them have strongly agreed with the factor 'Quick settlement of previous claims', 23% of them have strongly agreed with the opinion 'Image and popularity of the policy', 32% of them have disagreed with the opinion 'Tax shelter' and 32% of them have strongly agreed with the opinion 'Known agent/officials'.

**Table No. 2: Mean and Mean Rank of Reasons for Taking Life Insurance**

Sr. No.	Reasons	Mean	Mean Rank
1	Savings	4.38	I
2	Wide risk coverage	4.19	II
3	Reasonable premium	3.28	V
4	Quick settlement of previous claims	3.94	III
5	Image and popularity of the policy	3.19	VI
6	Tax shelter	3.09	VII
7	Known agent / Officials	3.58	IV

**Interpretation:** Above table depicts that most of the respondents assigned first rank to 'Savings', it is followed by 'Wide risk coverage' and 'Quick settlement of previous claims' has been ranked third.

## V. CONCLUSION

Findings from data analysis indicate that the research hypothesis is accepted. Therefore, it is concluded that the level of **importance of various reasons for taking life insurance** is not equal. The study reveals all the reasons for taking life insurance do not have equal importance. From the analysis it can be concluded that **Savings**, Wide risk coverage and Quick settlement of previous claims are the most important reasons as compared to others for taking life insurance in Nagpur District.

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