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GRIEVANCES OF POLICY HOLDERS IN LIFE INSURANCE SECTOR – A CASE STUDY IN BELGAUM DISTRICT

Dr. Shrimant Tangade

Associate Professor of Commerce
Government First Grade College
Rajajinagar, Bangalore-10.

ABSTRACT

It is admitted that life insurance policy holder is 'consumer' under the Consumer Protection Act, 1986 and is entitled to seek redressal in consumer courts established under the Consumer Protection Act. It is usually observed that Insurance Companies do not tell the demerits of the policies while selling their Insurance products/Schemes. Those policies are sold under wrong or misrepresentation of facts. The agents also do not provide customized service once their policy is sold rather they adopt callous attitude towards the policy holders and they become totally indifferent. They put many hidden charges and impose them immediately after the policy is sold. In case of prepayment cases, they impose penalty about which they never tell to a customer. Many agents have been found to be charging excess from illiterate people. When the policy matures, they put temporary or fictitious obstacles to delay the payment. Many times notices for periodical premiums are not sent by them with the intention that let the policy lapse & then they would be helpless to entertain the claim and the amount in the account is encroached upon by them and is not paid to the policy holder. Lot of cases have been filed in consumer courts and many decisions have gone against the insurance companies. There is quite an ample scope for the consumers to make use of consumer forums to stop their exploitation by these insurance companies. Looking into this, the researcher has made a survey in the Belgaum District of Karnataka State about Grievances of policy holders in Insurance sector and conclusions are drawn.

Key Words: Life Insurance Companies, Policy holders, Consumer, Consumer Protection Act. Belgaum District, Grievances, Premiums.

Introduction:

It is admitted that life insurance policy holder is 'consumer' under the Consumer Protection Act, 1986 and is entitled to seek redressal in consumer courts established under the Consumer Protection Act. It is usually observed that Insurance Companies do not tell the demerits of the policies while selling their Insurance products/Schemes. Those policies are sold under wrong or misrepresentation of facts. The agents also do not provide customized service once their policy is sold rather they adopt callous attitude towards the policy holders and they become totally indifferent. They put many hidden charges and impose them immediately after the policy is sold. In case of prepayment cases, they impose penalty about which they never tell to a customer. Many agents have been found to be charging excess from illiterate people. When the policy matures, they put temporary or fictitious obstacles to delay the payment. Many times notices for periodical premiums are not sent by them with the intention that let the policy lapse & then they would be helpless to entertain the claim and the amount in the account is encroached upon by them and is not paid to the policy holder. Lot of cases have been filed in consumer courts and many decisions have gone against the insurance companies. There is quite an ample scope for the consumers to make use of consumer forums to stop their exploitation by these insurance companies

In a competitive market the concept of consumer satisfaction occupies a central position in marketing thought and practice. Satisfaction is a major outcome of marketing activity and serves to link processes culminating in purchase and consumption with post purchase phenomena such as attitude change, repeat purchase and brand loyalty.

In the last few years, developments in the insurance sector have resulted in a paradigm shift in the way the business is conducted. In a free market scenario, the customer has a choice from whom to buy. He exercises this choice based on perceptions formed through his experiences. Customer service today has become the focal point of insurance companies. It is an area where the new companies are clearly ramping up by bringing in their best practices and operational efficiencies by appropriate use of technology. There is a greater sensitivity in dealing with the customers. However, a lot needs to be done. Insurers need to fast gear up to the situation and the real response and turn-around time in delivery of services needs to be reduced in specific areas like delivery of first policy receipt, policy documents, premium notice, maturity payments, death claims etc.

There is absolutely no exaggeration in mentioning that the amount of customer grievances in the insurance domain has gone up steeply. Grievances arise where there is a certain level of expectation by a customer and the reality does not match up to it. Redresses of customers' grievances are just a reactive way of insurers providing the minimum expected customer service. The need of the hour is more proactive approach aimed at seeking what additional elements would delight the policy holder more and more. Though this is the situation the certain insurance companies are not giving much attention to the customer service. It is because of the lack of financial literacy of the public in the open market economy.

Financial literacy is the basic element which is essential for every investor. Financial literacy means the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. In this paper an attempt is made to know the level of financial literacy among the life insurance policy holders and also to know the problems faced by them in the course of purchase and post purchase of insurance products. After the deregulation of insurance sector many private insurance companies have opened their branches in the Belgaum District to tap the untapped market. In order to know the awareness and grievances of policy holders the following parameters have been considered.

Purpose of Purchasing Insurance Product:

The purchase of life insurance products carries multiple purposes. The main purpose of insurance is to compensate against a particular loss caused due to uncertain events. Information relating to purpose of purchasing an insurance product has been collected from the policy holders for clear analysis. The purposes of purchasing a life policy have been classified into four groups which we feel essential for selecting a policy. The policy holders have been asked to give their views on a preferential manner to the given purposes. The elicited responses from the policy holders have been tabulated in Table No. 1

Table No. 1
Purpose of Purchasing Insurance Policy

Purpose	Rating of policy purpose				Total score	Average score	Rank
	4	3	2	1			
Savings and future provision	276	24	8	2	310	3.73	1
Risk coverage	224	54	10	4	292	3.50	2
Income tax rebate	100	45	50	18	213	2.13	4
Long term gain	60	90	72	2	224	2.70	3

Source: Field Survey

(Rating: 4- Most preferred; 3- Preferred; 2- Somewhat preferred and 1- Least preferred)

The researcher has made an attempt to know the reasons for purchasing an insurance policy. It is very clear from the above table that saving and future provision is indicated as the most important purpose in selection of policy which is ranked as first among the selected purposes. Risk coverage is ranked as second and long term gain is ranked as third. Income tax benefit is ranked as fourth. It is observed that long term gain and income tax rebate are the least preferred purposes for purchasing policy by policy holders.

Awareness about Insurance Products:

There are several media through which every company is making efforts to create awareness about their products and the company. Advertisement creates some sort of awareness about the company and its products but it fails to convert them into policy holders. The source of information through which the policyholders are aware about the insurance is ascertained by eliciting information from policyholders.

Table No. 2
Awareness about Insurance Products

Mode	No of respondents	Percentage
Advertisements	43	13
Friends & Relatives	77	23
Recommended by Agents & development officers	214	64
Total	334	100

Source: Field Survey

It is clear from table 2 that Agents and Development Officers are making much impact on people in creating awareness about plans and their features. 64% respondents got awareness through Agents and Development Officers. Advertisement has created only 13% awareness among respondents. Friends and relatives are more worth than the advertisement, their share is 23% which is higher than the advertisement. It is the indication for the companies to concentrate on personal contact rather than other media. Good and efficient sales force can make impact on the total

insurance business. Advertisement is essential only to create awareness about existence of the company in the market.

Motivation for Purchasing the Products:

In India insurance products are not purchased voluntarily. It is not treated as necessary item of life. Therefore nobody thinks of insuring their life voluntarily. It is the agents who force them for insuring their life by explaining various uses and impact on happening of an unforeseen event. The information about insuring of life is collected from respondents and tabulated in Table No. 3

Table No. 3
Motivation for Purchasing the Products

Basis	No of respondents	Percentages
Experience with friends	20	06
Personal relation with agents	291	87
Reading the full material	13	04
Blindly	10	03
Total	334	100

Source: Field Survey

It is very clear from the Table No. 3 that 87% of the respondents have insured their life only on the personal rapport with the agents. It means agents have created awareness and sold various policies to the public. Only 4% respondents have insured their life without the influence of any agents or Development Officers.

Filling up of the Insurance Proposal Form:

In order to insure the life, one has to fill the proposal form prescribed by the respective insurance companies. It contains the details of the person who wants to insure his/her life. Personal details, family details, health conditions and background of the family are the most essential points in the proposal form. It is obligatory on the part of the proposer to give full and correct information sought by the company. But the actual fact is somewhat different from this. For clear understanding this aspect responses were collected from the policy holders and tabulated in the Table No. 4.

Table No. 4
Response about Filling of the Insurance Proposal Form

Response	No of Respondents	Percentage
Own	37	11
Agents	270	81
Others	27	8
Total	334	100

Source: Field Survey

It is clear from the above table that 81% respondents have not filled up the proposal form. These forms are duly filled by the agents only. Further enquiry revealed that these forms are not filled in front of the proposer. The agents simply take the signature of the proposer on the blank proposal form and later on they will fill the details. The proposer is not at all aware of the contents of the proposal form. During this course the agents will fill all the columns in affirmative without knowing the actual facts. Many complaints have been filed in the consumer forum for repudiation of the claim by insurance companies for suppressing of material facts at the time of purchasing the

policy. Actually the policy holder does not aware about the information provided in the proposal form. Only 11% respondents have filled their proposal forms themselves. They are also not filled the entire form but they filled normally personal and family details.

Opinion about the Credibility of Agent and Development Officers:

The entire business of insurance in the rural and backward areas depends upon the credibility of agents and Development Officers because of lack of financial literacy among the policy holders. There are many instances where insurance agents acted against the interest of policy holders. They have filled the proposal form according to their convenience. The opinion of the policyholders about the credibility of insurance personnel is collected and put in Table No. 5.

Table No. 5

Opinion about the Credibility of Agent and Development Officers

Responses	No of respondents	Percentage to total
Excellent	20	6
Good	63	19
Average	80	24
Unfair	171	51
Total	334	100

Source: Field Survey

It is noticed from the above table that 51% of policy holders are rating the credit worthiness of the agents as unfair. Further probing revealed that the reasons for rating them as unfair are not following the instructions while filling the proposal form. Many of the agents have changed the sum assured, term and even in some cases plan. Many agents have quoted the exaggerated return on some plans. Giving false information about the plan, offering wrong plan, changing the contents of the proposal form according to their convenience are the major complaints against the insurance agent. Use of undue influence is also one of the reasons for rating them unfair. Some rural policy holders complained that they have paid the premium to some agents, in turn they have not paid it to the company resulting in lapse of policy. Only 6% of the respondents said that their agents are excellent.

Free - look Clause:

Free - look is the clause inserted by the act in order to safeguard the interest of policy holders even after the purchase of policy. According to Section 6(2) of IRDA (Protection of Policyholder's Interest) Regulation 2002, the policy holder is having 15 days free-look period from the date of receipt of policy document. If any of the conditions mentioned in the policy document are against the wishes of policy holder, he can opt out from the contract and claim the entire amount of premiums paid. However, the premiums paid will be refunded after deduction of certain expenses like, medical examination, stamp duty, etc. In case if any one opt out of a Unit Linked Policy during the free-look period, he shall be entitled to an amount which should at least be equal to non-allocated premium plus charges levied by cancellation of units plus fund value at the date of cancellation less expenses. In order to know awareness about this clause the responses were elicited from policy holders and tabulated in Table No. 6.

Table No. 6

Awareness about Free - look Clause in Insurance Bond

Response	No of respondents	Percentages
Aware	14	4
Unaware	320	96
Total	334	100

Source: Field Survey

The survey revealed that 96% of the respondents are not aware of the free-look clause. They even not read the terms and conditions mentioned in the policy document. Normally they will see only sum assured, premium amount and term printed on the policy bond. It clearly indicates that consumers are not aware about the many aspects of insurance and even they voluntarily do not want to know them. It is an advise to insurance companies to disseminate full information to the people who wants to purchase the policy. Only 4% are aware about the free - look clause. It is generally observed that majority of the policy holders are having the habit of not reading the insurance contracts before purchase and even they do same in post purchase period also.

Full Information about the Products:

Before purchasing a policy, the insurance agents normally provide the information relating to a particular product. Based on the information provided by the agents, people will buy the insurance products. The insurance bonds are issued to every policy holder which contains the full information and terms and conditions of the acceptance of policy. The policy holders are asked to narrate the information given by the agents relating to their policy and its accuracy. The information collected from policy holders is tabulated in Table No. 7.

Table No. 7
Information about the Products

Response	No of Respondents	Percentage
Adequate information	54	16
Inadequate information	100	30
No information	40	12
Wrong information	140	42
Total	334	100

Source: Field Survey

The Table No. depicts that 42% respondents opined that the information given by the agents at the time of purchase was wrong. The promises made by the agents were not fulfilled at the end of a particular period. 30% of respondents said that information provided by them is inadequate. Only 16% of them opined that the agents have provided adequate information.

Satisfaction about the Service Rendered:

Service is the major aspect in insurance contract. Insurance is a promise to be fulfilled after a gap of certain period or on the happening of particular event. If the insurer fails to fulfill his promise there is a deficiency in service and discontent among the policy holders. The policy holders have been asked to give their opinion about the satisfaction level, which is shown in Table No. 8.

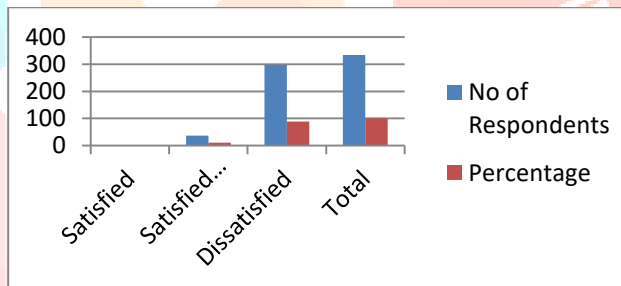
Table No. 8
Level of Satisfaction about the Service Rendered

Response	No of Respondents	Percentage
Satisfied	0	0
Satisfied to some extent	37	11
Dissatisfied	297	89
Total	334	100

Source: Field Survey

The researcher has interviewed only to policy holders who have filed their complaints in the Consumer Forum. Obviously they are all dissatisfied policy holders. Still I have made an attempt to know the level of satisfaction. It revealed that 89% are fully dissatisfied with the service rendered by their respective insurance companies. Only 11% said that they are partially satisfied with the service rendered. One of the policy holder paying premium through his employer said that even after completion of the premium paying term the employer has made deduction out of his salary for almost one and half years and remitted the same to insurance company. The company has accepted the premium and the amount was kept under suspense account but they have not written a letter intimating the closure of the premium paying term either to the employer or to the employee. It shows the attitude of the insurance company operating in the public sector.

Chart No: I
Level of Satisfaction about the Service Rendered



Opinion about Grievances Redressal Mechanism in the Insurance Company:

The law has made it mandatory to every insurance company to have a consumer redressal cell. It is the duty of the redressal cell to take care of the consumer grievances. First the aggrieved consumer has to approach the redressal cell to solve his problem. The policy holders have been asked to give their opinion about the consumer grievances cell operating in the company, which is shown in the Table No. 9.

Table No. 9
Opinion about Grievances Redressal Cell in the Insurance Company

Response	No of respondents	Percentage
Not functioning properly	50	15
Fails to address the problem	154	46
No answer	97	29
Undue delay	33	10
Total	334	100

Source: Field Survey

It is evident from the Table No.9 that 46% of the respondents said the grievance cell operating in the majority of the Insurance Company branches fails to solve the problem. They always argue against the policy holders. 15% respondents said that they are not functioning properly. They always try to convince the customers instead to solve the problem. 29% argued that they will not respond to the complaints. Some of them said that even after serving legal notice they have not responded.

Awareness about the Consumer Protection Act:

The Consumers Protection Act is the best tool for the consumers to get speedy justice at minimum cost. Many policy holders do not know about the existence and functioning about the consumer forums. In order to know the source of awareness about the Consumer Protection Act responses are collected from the policy holders and tabulated in the Table No. 10.

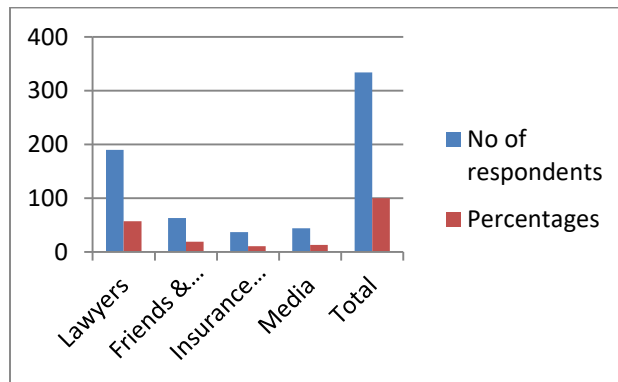
Table No. 10
Source of Awareness about the Consumer Protection Act

Response	No of respondents	Percentages
Lawyers	190	57
Friends & Relatives	63	19
Insurance company Staff	37	11
Media	44	13
Total	334	100

Source: Field Survey

It is evident from the Table No.10 that 57% respondents are aware about the existence of consumer forum through lawyers only. 19% are aware with the help of friends and relatives. Only 13% respondents said the source of information is the media. One more interesting point to be noted here is that insurance company staff themselves have expressed the views about the existence of consumer forum. Again the agents constitute the focal point in the staff.

Chart No: II
Source of awareness about the Consumer Protection Act



Satisfaction about the Decision of Consumer Forum:

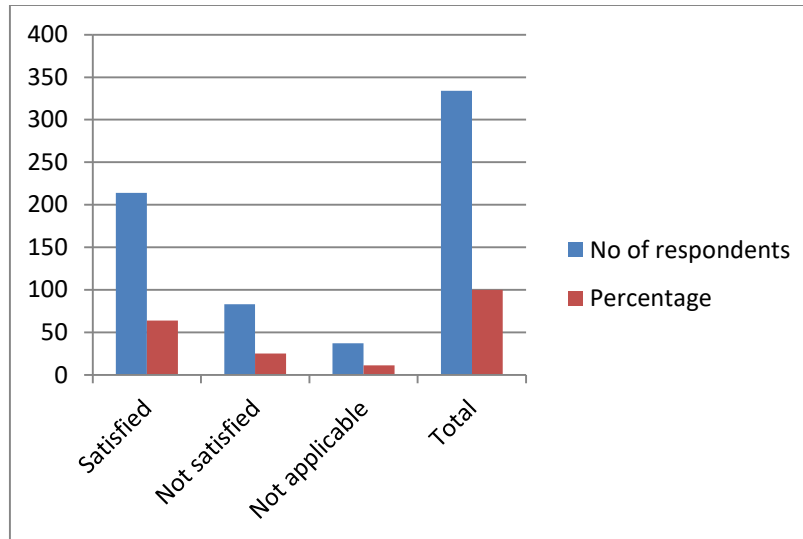
Policy holders who have filed their complaint in the Consumer Forum have been asked to narrate their satisfaction about the decision of the consumer court. The responses elicited are tabulated in Table No. 11.

Table No. 11
Level of Satisfaction about the Decision of Consumer Forum, Belgaum

Response	No of respondents	Percentage
Satisfied	214	64
Not satisfied	83	25
Not applicable	37	11
Total	334	100

Source: Field Survey

It is clear from the Table No. 11 that 64% of the respondents have satisfied with the decision of the consumer court. All these policy holders got justice in their favour. 25% of the respondents said that they are not satisfied with the decision of the consumer forum. Further analysis revealed that many of them have filed the case for repudiation of the claim for lapse of policy. The concerned policies were lapsed because of not payment of premium in time. Even they claim benefits by quoting one or the other reasons. In some other cases the health condition disclosed by the policy holders in the proposal form is contradictory to the actual. Many policy holders got operated or taken treatment in hospitals for particular disease before purchasing policy but they have not disclosed the same in the proposal form. It has led to repudiation of the claim for suppression of material facts.

Chart No: III**Level of Satisfaction about the Decision of Consumer Forum, Belgaum****Conclusion:**

The opening up of insurance sector to the private players has infused a stiff competition in the insurance market. The number of insurance companies operating in the insurance sector has increased drastically over the last few decades. At the same time the number of products offered by different companies also increasing enormously. The insurance has become the avenue for investment along with the tool of risk bearing. It has changed the angle of whole industry. The stiff competition in the insurance industry has created a strong and efficient workforce. But at the same time made them to involve in unfair practices to attract the consumers. It leads to consumer exploitation and dissatisfaction of policyholders. Therefore, consumer protection is inevitable for the growth of insurance industry. Consumers are economic asset but it is not enough solely to satisfy consumers. In India, if the Insurance business wants to be successful in the long run, it must fulfill the satisfaction of consumers.

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