A COMPARATIVE STUDY BETWEEN PUBLIC AND PRIVATE SECTOR LIFE INSURANCE SCHEME

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ABSTRACT

"A comparative analysis of public and private sector schemes" is the focus of the research. Insurance is a kind of financial risk management. This study is made to make an awareness among the consumers and acknowledge the challenges and opportunities in the life insurance sector in India. This research includes the performance of both public and private insurance sectors, growth, service quality measures, and satisfaction of policyholders. The need for insurance is as old as commerce and trading in the civilized world. Risk is inherent to life, commerce, trading etc. The insurance will provide safety to it.

1.1 INTRODUCTION:

Insurance sector has been playing a leading role in the financial system of IndiaIt also caters to the needs of the both real economy and socio-economic objective of the country. India's economic development made it a most lucrative. This research paper attempts to study the Public & Private Life Insurance Companies in India and compare the perception of customers in terms of service quality and analyse the performance of public and private life insurance companies in India. Today, there are 24 private life insurance companies are available. The competition LIC started facing from these companies were threatening to the existence of LIC. With the entry of private players, the competition is becoming intense.

1.2 STATEMENT OF THE PROBLEM: -

The biggest concern about the status of insurance is the lack of awareness and the second greatest problem is the affordability. The key reasons behind such low acceptability are not only the affordability but the lack of awareness and unwillingness of the potential buyers. Despite the urgent and pressing need for market orientation in the life insurance business, much more study is needed in this field of market orientation for the insurance industry to cope with market changes. Due to the non-availability of sufficient data, this field has remained untouched by the researchers.

1.3 SCOPE OF THE STUDY: -

The present study is made to understand the public and private life insurance businesses in the Coimbatore district. The present study aims to find out the preference of policyholders towards the public and private sector life insurance services based on the attitude on the existing practice of life insurance service providers. An attempt has been made to identify the factors influencing policyholders to avail life insurance services and comparatively analyze the attitude of policyholders and their opinion on the role of agents in the aspect of service provided both in public and private sector life insurance.

1.4 OBJECTIVES OF THE STUDY: -

Check the awareness level of consumers towards life insurance. To compare the consumer's socio-economic profile. To analyze the service quality measures among consumers in life insurance sectors. To find out the level of satisfaction of policyholders. To provide comments and proposals for changes in the private and public life insurance sectors.

1.5 RESEARCH METHODOLOGY: -

The validity of the study depends on the systematic data collected and analysis of the same in a sequential order. The study aims find out the factors influencing customers life insurance investment decision and their preferences at the time of policy buying decision. The present study is based on Primary data. Primary sources of data collection have been adopted for the study through well-structured comprehensive questionnaire.

1.6 LIMITATIONS OF THE STUDY: -

The respondents are the ones who have life insurance policies either with public or private sector life insurance companies. The policyholders were not able to provide all the information about the life insurance policy they had without the help of their agent. This study focused only on the Private and Public Sector life insurance scheme in the Coimbatore district. Hence, the study may not be in agreement at the macro level.

2.1 REVIEW OF LITERATURE:

1. **Reenu Lulla and Monu Bhargava (2015)**

    A Comparative Analysis between Public Sector and Private Sector Companies" found that the overall size of LIC is much more than that of all private insurance companies. To improve the customer satisfaction levels, the public sector needs to provide customer information about insurers' prices, products, and financial strength to ensure good market performance. They need to improve their systems and practice to the expected levels, then only customers will prefer them over the new players and the private sector insurance companies should ensure prompt and efficient after-sales service to their customers so that they can retain their customer loyalty and prevent them from switching to other competitors.

2. **Sharma and Chouhan (2013)**

    The research paper "A Comparative Study of Public & Private Life Insurance", made an attempt to analyze the performance of public and private life insurance companies in India. Researchers concluded that with the entry of private players, the competition is becoming intense. In order to satisfy the customers, every company is trying to implement new creations and innovative product characteristics to attract customers.

3. **Selvakumar & Piyan (2012)**

    Analyzed the performance of public and private life insurance companies in India. The researcher opined that today's market is customer-centric, and the customer is supposed to be king of the market. To satisfy customers innovations are taking place with distinct features to attract the customers.

4. **Tiwari & Yadav (2012)**

    Conducted an Analytical study on the Indian Life Insurance Industry in Post liberalization. Researchers concluded that the Indian market is an untapped market and found a good opportunity. After 1991, the Indian life insurance industry geared up in all respects and was able to avail healthy competition from in-house and abroad players.

5. **Upadhyaya and Badlani (2011)**

Attempt to identify the key success factors in the life insurance industry, in terms of customer satisfaction so as to survive the intense competition and to increase the market share. The objectives of the study are to identify the factors of customer satisfaction in retail life Insurance in India and to study the importance of technology in fulfilling Customer Satisfaction. Data was collected from 206 insurance customers of the ten public and private sector life insurance companies from the major cities of Rajasthan and Maharashtra state in India. The study concludes that despite high satisfaction levels, there remains a lot to be done by the management of the retail life Insurance companies' to maximize their customer satisfaction and improve the quality of service. The satisfaction of the customer with services of the Life Insurance Companies was found to be linked with the performance of the service.

6. **Imam (2011) -**

Analyzed customer behaviors in Life Insurance Industry. Researchers opined that the sale of life insurance policies in India is less than in many western and Asian countries. As the second-largest populated country in the world, the Indian insurance market is looking very prospective to many multinational and Indian insurance companies for expanding their business and market share. With their world market experience and network, these companies have offered many good schemes to lure all types of Indian consumers but unfortunately failed to get the major share of the market. Still, the LIC is the biggest player in the life insurance market with approx. 65% market share.

7. **Dharmendra Singh (2011)**

"Factors affecting customers preferences for life insurers: An Empirical Study", expose that quick claim settlement, better complaint redressal, and a convenient payment system are the important factors that influence the policyholder's satisfaction.

8. **Kumar (2010)**

A thriving insurance sector is of vital importance to every modern economy. It encourages the savings habit, it also provides a safety net to rural and urban enterprises and productive individuals, and most importantly it generates long-term invest-able funds for infrastructure building. The nature of the insurance business is such that the cash inflow of insurance companies is constant while the payout is deferred and contingency-related.

9. **Kaur et al. (2010)**

"A Study on Customer Satisfaction with Life Insurance in Chandigarh, Tricity", observes that policyholders are more satisfied with the policy features, price, maturity benefits as well as tax saving contents.

10. **Kannan (2010)**

Viewed that India, being rich in population and most of the area is untapped, has tremendous scope for growth in the insurance sector. Today insurance business is growing at the rate of 15- 20% annually. Together with banking services, it adds about 7% to the country's GDP. In spite of all this growth, the statistics of the penetration of insurance in the country are very poor. Nearly 80% of the Indian population are without Life insurance cover and Health insurance. This is an indicator that the growth potential for the insurance sector is immense in India.

11. **Lakshmipriya, K (2009)**

"A Comparative Study of Public and Private Life Insurance Perspective" showed that the customer chooses the state-owned LIC for the first insurance policy. However, there is a tendency to look to private players for subsequent policies because of the lack of awareness about the product of private-sector insurers. With the objectives of the perception of the policyholders the public and private life insurers' services, suggests that the private life insurer should open branches in the rural areas to catalyst their business in a rural area.

12. **Selvalakshmi (2007)**

"Investment Climate in Insurance Sector – A Study with Reference to Preference of Policyholders towards Private Sector Life Insurance Schemes in Madurai District" dealt with the objectives of awareness of policyholders about the schemes of private sector insurance companies, the profile of the private sector life insurers, factor motivating and preference of policyholders. It was concluded that most of the policyholders prefer Unit Linked Insurance Plan (ULIP) and more policyholders in the private sector have taken insurance

as protection and investment is not a mere risk-sharing toolimportance was product attributes, and the least important was maturity period.

13. Rudra Saibaba (2003)

With a distinct approach has analyzed the perception and attitude of women respondents about LIC, services offered by LIC the new policies introduced. Further, the analysis reveals that the majority of customers were satisfied with the services that the corporation offered. A few of the customers expressed dissatisfaction over the lack of advertisements for new policies and the unprofessionalism of the agents.

14. Prabhu (2003)

The attitude of the customers towards LIC India, Coimbatore city. In this view, as customers consider LIC as a trustworthy financial institution, LIC must take efforts to maintain its positive image in society.

15. Kaliyamoorthy Suresh (2003)

This highlighted the changes and competition as private companies entered the field. The researcher has observed that LIC offered some of the services which even private companies have not started offering. The study states that it is too early to draw conclusions about the success/role of private companies but keeping a close watch on the trends of industry would help to predict future development.

16. Alok Mittal and Akash Kumar (2003)

"An Exploratory Study of Factors Affecting Selection of Life Insurance Products" has attempted to identify the factors which are affecting the consumers in taking into consideration before selecting a life insurance product and determining the extent to which these factors are taken into consideration for choosing life insurance products. This highlighted that consumers take into consideration factors like product attributes, customer delight, payment mode, product flexibility, risk coverage, grace period, professional advisor, and maturity period as important before making a decision on the selection of a life insurance product but most important factors which are of vital.

17. Ramkrishna Reddy and Kanjula Spandana (2002),

Both the experts pointed out that the overall penetration of public insurance was low even though its role is vital as regards range, quality and price. They expressed the need for opening up insurance to the private sector to bridge the gap between the expectations of customers and the offers of insurance companies. Their conclusion was that the liberalization of insurance was a challenge and an opportunity.

18. Thirupurasundari (2002)

Studied the services provided by the LIC branch at Mayiladuthurai town. In her study, she tried to reveal the attitude and the level of satisfaction of policyholders towards the services of LIC branches in the town. Her study shows that the policyholders were completely satisfied with the overall services of the branch and also agreed that medical examination is necessary for taking policy.

19. Ashoka Thanpy and Sitaram (2002)

Their analysis of the individual life insurance markets existing in India added the new point that the culture, religion, age, population, economic stability, and price were the factors influencing demand for life insurance and that the consumption of insurance will increase due to increase in supply. He concluded that the insurers should be aware of the existing life insurance potential in India and should try to tap the potential.

20. Arunajatesan (2002)

The reasons for poor penetration and the factors like awareness of LIC products, the preferred mode of saving, insurable population, and reasons for buying that influence insurance. The study has interesting findings. 70 percent of the population is aware of insurance through TV, newspapers, and agents, yet only 24 percent of them are found to be insured too for the reasons like tax planning and risk cover. Less than 5 percent have the knowledge of various schemes.

21. Ryan and Schmit (1993)

The customer satisfaction was positively related to employee perceptions of a manageable workload, lower stress, and opportunities for training and development.

22. Berry and Parasuraman (1991)

In understanding customer satisfaction, organizations should consider customer expectations, how customers perceive service delivery relative to these expectations, and whether this confirms their expectations or not.

The quality of the customer and salesperson interaction, as perceived by the buyer, is important in determining customer satisfaction.

ANALYSIS:
4.1. PERCENTAGE ANALYSIS:

Particular	Frequency	Percent
Gender		
Male	39	38.6%
Female	62	61.4%
Age		
Below 20	3	2.9%
21-30	82	81.2%
31-40	13	12.8%
Above 40	3	2.9%
Type of Employment		
Government employee	29	34.5%
Private employee	32	38.1%
Business	23	27.4%
Family Income		
Below Rs.50000	52	51.5%
50001-200000	26	25.7%
200001-500000	14	13.9%
Above Rs.500000	9	8.9%
Influencers of the respondents to get the life insurance policies		
The Media	34	33.7%
Insurance Agents	28	27.7%
Federal Government	16	15.8%
Friends, Family, and Colleagues	23	22.8%
Type of Insurance of a policyholder		
Public	51	50.5%
Private	27	26.7%

Both	23	22.8%
Kinds of insurance policy of the respondents		
Savings Policy	53	52.5%
Whole Life Policy	43	42.6%
Money Back Policy	56	56.4%
Property Insurance	46	45.5%
Average policy terms of the respondents		
Upto 5 years	46	45.5%
5-20 years	36	35.6%
Above 20 years	19	18.8%
Payment of premium due of the respondents		
Weekly	27	26.7%
Monthly	27	26.7%
Quarterly	26	25.7%
Half yearly	13	12.9%
Yearly	8	7.9%
Satisfaction with the terms and conditions of the life insurance policy by the respondents		
Yes	93	92.1%
No	8	7.9%
Does the respondent's policy ever lapsed due to non-payment of premiums		
Yes	89	88.1%
No	12	11.1%
Objectives of the life insurers in life insurance		
I want the best potential return in the long term	50	49.5%
I want the strongest possible guarantees	60	59.4%
I want to pay the lowest possible premium for a limited period of coverage	60	59.4%
I want to pay the lowest possible premium for a long-term policy	33	32.7%
Is premium flexibility needed for the respondents		
Yes	96	95%

No	5	5%
Can the age limit be changed in life insurance schemes		
Yes	97	96%
No	4	4%

Source: Primary data

4.2 RANK ANALYSIS:

RANKING ELEMENTS BY THE RESPONDENTS

PARTICULARS	1	2	3	4	TOTAL	RANK
SAFETY	324	48	6	1	379	I
FLEXIBILITY	80	228	8	1	317	II
CERTAINTY	92	126	66	3	287	IV
PREMIUM LEVEL	124	165	18	6	313	III

SATISFACTION LEVEL OF THE POLICY HOLDERS

PARTICULARS	1	2	3	4	5	TOTAL	RANK
CUSTOMER SERVICE	185	172	60	2	0	419	I
INVESTMENT RETURNS	90	252	60	0	0	402	III
MATURITY PERIOD	105	204	84	2	0	395	V
USER-FRIENDLY	145	184	72	4	0	405	II
EASILY APPROACHABLE	120	204	72	2	1	399	IV

RANK OF THE FACTORS THAT SHOULD BE CONSIDERED WHEN SELECTING A LIFE INSURANCE POLICY BY RESPONDENTS

PARTICULARS	1	2	3	4	5	TOTAL	RANK
ASSESS YOUR INSURANCE NEEDS	200	168	51	2	1	422	I
COMPARE INSURANCE POLICIES	65	212	102	0	1	380	III
CHOOSE A COVER THAT YOU CAN AFFORD	80	176	117	2	1	376	IV
EVALUATE THE FUTURE OF YOUR	105	140	120	8	1	374	V

INSURANCE POLICY							
CHECK THE CLAIM SETTLEMENT HISTORY OF THE INSURANCE COMPANY	95	196	90	4	1	386	II

Source: Primary data

5.1. FINDINGS:

1. The majority of the respondent's income is 50001-200000 who shows interest in answering the survey.

2. The majority of the respondents are influenced by the Media who shows interest in answering the survey.

3. The majority of the respondents are engaged with the public life insurance who shows interest in answering the survey.

4. The majority of the respondents have 2 life insurance policies who shows interest in answering the survey.

5. The majority of the respondents have Money Back Policy who shows interest in answering the survey.

6. The majority of the respondents have Up to 5 years as the average term of the policies who shows interest in answering the survey.

7. The majority of the respondents pay their premiums on both Weekly basis and Monthly basis who shows interest in answering the survey.

8. The majority of the respondents are satisfied with the terms and conditions of the life insurance policy who shows interest in answering the survey.

9. The majority of the respondent's policies are never been ever lapsed due to non-payment of premiums who shows interest in answering the survey.

10. The majority of the respondents feel like they want the strongest possible guarantees and also to pay the lowest possible premium for a limited period of coverage.

11. The majority of the respondents need a premium flexibility who shows interest in answering the survey.

12. The respondents give first rank for SAFETY: The degree of protection over your death benefit and the equity in your policy.

13. The respondents give first rank for Customer service.

14. The respondents give first rank for Assess your insurance needs.

15. The majority of the respondents think that the age limit can be changed in life insurance schemes who shows interest in answering the survey.

5.2. SUGGESSTIONS:

After the findings of the research, it is advisable to the policyholders,

1. To maintain the life insurance policy in force for the whole policy period for availing the fullest benefit of the services.

2. It is suggested that policyholders should compare the products offered and services provided by the service providers for availing better services and benefits on that.

3. It is required to inspect that up to what extent the life insurance industry is serving the requirements of the customers before and after the sale of policies. It is also required to examine up to what extent creative and inventive products are introducing to improve the performance of life insurance sector in India.

5.3. CONCLUSION:

As the second largest populated country in the world, the life insurers in India have a prospective future for growth and development. From the year of 1956 when the life insurance sector was nationalized till it is opened for private participation in the year 1999 only one fourth of the population is covered under insurance. After the private players enter into the market and till date only half of the population is insured. Even though the public sector life insurance company is in dominant position in the life insurance market than the private sector. It is due to the agents in private sector skipping from one company to another. Life insurance has today become an essential of any economy since it offers a plenty of scope for getting large sums of money for a long period of time.

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