



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## Exploring Public Perception of Term Life Insurance: Analyzing the LIC Case Study in India

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### ABSTRACT

Uncertainties can strike at any moment. As a result, insurance is a critical component of one's life, as it offers coverage and financial assistance against these risks, as well as serves as a financial backup plan. In a developing nation like India, where roughly 70% of the population is from the lower and lower-middle classes, high premiums make it impossible to afford life insurance that provides both life coverage and maturity benefits. Term life insurance comes into play in this situation. Term life insurance is a type of insurance that provides death benefits at cheap premiums while also providing a large amount of life coverage for a set period of time, which makes it more affordable for lower and middle-income group families. The Life Insurance Corporation of India (LIC) was one of the first financial institutions to be founded in India after independence. The Life Insurance Corporation term plan meets the needs of policy buyers ranging in age from 18 to 75, with the best claim settlement ratio of 98%. The study looks into how lower- and middle-income groups perceive insurance in order to determine their true requirements and expectations of insurance providers. Primary data is collected from individual respondents which include college students, businessmen, housemakers, small shopkeepers, and local vendors. The study found that many individuals combine insurance and investing. Instead of viewing insurance as a tax-saving investment vehicle, it is viewed as a safety blanket for the family's finances only.

**Keywords-** Life Insurance, Term Insurance, Financial Security, Premium, Gender.

## INTRODUCTION

### 1.1 ABOUT INSURANCE

Insurance is a financial arrangement that provides protection against potential losses or risks. It is a contract between an individual or an entity, known as the policyholder, and an insurance company. The policyholder pays a premium to the insurance company in exchange for coverage and financial compensation in the event of specified losses or damages.

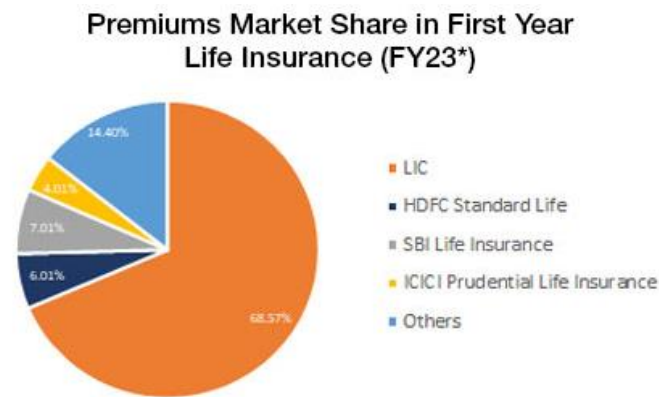
The purpose of insurance is to mitigate the financial impact of unexpected events, such as accidents, natural disasters, or the loss of property or life. Insurance allows individuals and businesses to transfer the risk of potential losses to an insurance company, which spreads the risk among a large pool of policyholders. This pooling of risk enables the insurance company to provide compensation to those who suffer losses, based on the terms and conditions of the insurance policy. The insurance industry in India is regulated by the Insurance Regulatory and Development Authority (IRDA).

Insurance is a contract between two parties that acts as a means of protection against financial loss due to unexpected events or circumstances. It involves an individual or entity (known as the policyholder) paying a premium to an insurance company in exchange for a promise of compensation for covered losses which includes damage to property, illness or injury, liability for damages caused to others, and loss of life. The insurance company pools the premiums paid by many policyholders and uses the funds to pay out claims for those who suffer covered losses. The premium paid by each policyholder is based on the likelihood and potential cost of a covered loss occurring, as assessed by the insurance company.

#### ➤ PLAYERS IN THE INSURANCE SECTOR

1. **Life Insurance Company:** The Life Insurance Corporation of India (LIC) was one of the first financial institutions to be founded in India after independence. LIC is an abbreviation for life insurance corporation, which was founded in 1956. The primary goal of the establishment was to promote the message of life insurance throughout the country. It was also necessary to mobilize people's savings.
2. **Bajaj Allianz Life Insurance Company:** It is one of the main Indian confidential disaster protection organizations. It is a joint venture of Bajaj Finserv Restricted, claimed by Bajaj Gathering of India, and Allianz SE, a European Monetary Administrations organization with its clients' changing requirements and requests as a main priority, Bajaj Allianz Disaster Protection Organization Restricted has presented the state of the art protection items. Subsequently and offers a wide scope of life coverage items to address the issues of various social classifications.
3. **SBI Term Life Insurance:** SBI Extra Security Organization started in the year 2001. SBI offers different extra security items, for example, Term, Unit-Connected, Venture, Investment funds, Retirement, Kid, and Cash Back plans. It works on 5 core values which are dependability, desire, advancement, dynamism, and greatness. SBI Extra Security's main goal is to offer top-tier administrations. SBI Disaster Protection offers a complete scope of extra security plans at the ostensible expense and guarantees consumer loyalty.
4. **ICICI Prudential Life Insurance:** ICICI Prudential Life Insurance is one of the largest insurance networks in country and 2<sup>nd</sup> Life Insurance company in India. ICICI Prudential started in 2002 as a subsidiary of ICICI ltd. Today it has a customer base of 4 million with total assets exceeding 1,00,000 Cr.

Figure 1.1



Source: Indian Insurance Industry Overview & Market Development Analysis- IBEF

## ➤ OVERVIEW TO LIFE INSURANCE

Life insurance has become an important financial product in India in recent years, as people have become more aware of the need for financial security in the event of unexpected events such as death, disability, and critical illness. However, consumer perception towards life insurance in India varies depending on a number of factors, including socioeconomic status, cultural background, and the type of life insurance product being offered.

In general, life insurance is seen as an important financial investment in India, with many people recognizing the need for protection against unforeseen events. However, there are still many misconceptions and myths about life insurance, which can negatively impact consumer perception. For example, some people believe that life insurance is too expensive, or that it is only necessary for those with dependents or high incomes. This misconception can be solved with the help of a term life insurance policy.

### Types of Life Insurance

There are several types of life insurance, each designed to cater to different needs and situations. It is essential to evaluate the features of each policy and consult a financial advisor before making a decision. Here are some common types of life insurance with a brief description:

1. **Term Life Insurance:** This is the simplest and most affordable form of life insurance. It provides coverage for a specific period, usually 10 to 30 years. If the policyholder dies during this period, the beneficiary receives a death benefit. In any case, assuming that the policyholder outlasts the term, the arrangement lapses, and no advantages are paid.
2. **Whole Life Insurance:** This is a permanent life insurance policy that provides coverage for the entire life of the policyholder. It includes a death benefit and a cash value component that accumulates over time. The policyholder can access the cash value through loans or withdrawals.
3. **Endowment Insurance:** The Policyholder Pays premiums throughout the policy term, and a portion of the premiums goes towards building the cash value of the policy. If they survive the policy term, they receive a lump-sum payment equal to the policy's face value. If they die during the policy term, the death benefit is paid out to the beneficiary.
4. **Universal Life Insurance:** This is a flexible form of permanent life insurance that allows the policyholder to adjust the premium and death benefit amount. The policy includes a cash value component that earns interest and can be used to pay premiums or increase the death benefit.

## ➤ TERM LIFE INSURANCE

In the 20th century, the insurance industry began to offer term life insurance as an alternative to whole life insurance. Term life insurance provided a lower-cost option that allowed people to purchase coverage for a set period of time, typically 10, 20, or 30 years. During this time, if the policyholder passes away, the insurance company pays a death benefit to the beneficiaries named in the policy.

The death benefit provided by a term life insurance policy can be used by beneficiaries to cover expenses such as funeral costs, and outstanding debts, or to provide for the future needs of dependents. Term life insurance policies can be purchased in varying amounts, depending on the needs of the policyholder. This made life insurance more affordable than permanent life insurance policies such as whole life or universal life insurance and is also accessible to a wider range of people, because of which it quickly became a popular choice among the people.

## ➤ Factors determining purchase of Term Life Insurance policy

The factors to be considered and decided before going for term life insurance are as follows:

- 1. Deciding the coverage amount:** Before buying a term life insurance policy it is important to decide the amount of coverage that is required. The coverage amount should be enough to cover the financial obligations and provide for our family's needs in the event of our death. To arrive at the coverage, amount a lot of aspects are considered such as the **age of the insurance seeker, debt liability present, the family's financial requirements, lifestyle, habits, living standards, etc.**
- 2. Financial obligations:** The current and future financial obligations, such as mortgage payments, education expenses for children, outstanding debts, etc. should be well considered and evaluated before buying term life insurance. The amount of coverage should be enough to cover these financial obligations. While doing so the inflation rates should be kept in mind.
- 3. Age and Health:** Age and health are significant factors in determining the premium. The younger and healthier the person is, the lesser will be the premium, and vice-versa. While buying a life insurance policy one should be true about past medical records and present health conditions as they significantly affect the amount of premium to be paid and the coverage required.
- 4. Coverage length:** The period for which you need to have life coverage is also required to be determined beforehand. Term life insurance policies are typically offered for 10 years, 20 years, or 30 years. One can choose a suitable tenure based on his age, health, financial obligations, and projected retirement age.
- 5. Lifestyle:** The lifestyle we live also has a very significant impact on life insurance. People who smoke, drink heavily, or are engaged in dangerous hobbies/work will have to pay higher premiums.
- 6. Insurance company reputation:** One should always look for reputed insurance companies which have a strong financial rating. One can go through reviews and ratings of other customers to ensure that the company is reliable. To assess the reliability of an insurer, one can check two things:
  - a) Claim Settlement Ratio-** It is the ratio between the number of claims settled by the insurance company and the number of claims actually filed by the policyholders. The insurer who has the highest claim settlement ratio is the best option to buy insurance.

- b) **Solvency Ratio-** This ratio shows the insurance company's ability to meet its short-term and long-term liabilities. A company with a strong solvency ratio can only be trusted to receive claims on time.

7. **Premiums:** Before buying a term life insurance policy, one should always compare the premiums of different insurance companies to ensure that they get the best rate for the insurance coverage.

## ➤ INTRODUCTION TO LIFE INSURANCE CORPORATION(LIC)

The Life Insurance Company of India (LIC) is the largest state-owned insurance provider in India, based in Mumbai, founded in the year 1956, and offers a broad range of insurance products, investment programmers, and pension plans to individuals and organizations throughout the country. With a sizable network of locations, agents, and workers, LIC is well-established in both urban and rural areas. It has also made significant contributions to the Indian economy by investing in various industries and launching projects in the fields of environment, health, and education. LIC has received numerous awards and recognitions for its expertise in the insurance sector. The company's basic concept is to provide financial protection to the dependents of the life assured in the event of her/his untimely death in exchange for a fee.

## LIC PRODUCTS

LIC provides a wide range of products to meet the various financial needs of its customers. Here's a quick rundown of each life insurance product of LIC:

- **Term Insurance:** This policy pays a lump sum to the nominee in the event of the policyholder's untimely death during the policy term.
- **Endowment Plans:** These policies offer both death and maturity benefits. The policyholder receives a lump sum amount at the end of the policy term, whether they survive or not.
- **Money-Back Plans:** With this policy, the policyholder receives a percentage of the sum assured at regular intervals throughout the policy term, with the balance paid as a lump sum at maturity.
- **Whole Life Plans:** These policies provide life insurance for the policyholder's entire life, with the sum assured paid to the nominee upon the policyholder's death.

## 1.2 OBJECTIVES

1. To understand consumers' views and perceptions towards term life insurance.
2. To understand the benefits of term life insurance.
3. To assess the variables influencing the decision-making of people for taking a term life insurance.
4. To find out if term life insurance is really worth the hard-earned money of the lower and lower-middle-income groups.

## 1.3 SCOPE

The research paper pertains to studying and clarifying the perceptions of people towards term life insurance by highlighting its importance and benefits.

## 1.4 RESEARCH QUESTION

Whether term life insurance is considered as a security or just an additional liability?

## 1.5 RESEARCH METHODOLOGY

### Data Collection

For primary data collection, we have developed a well-defined questionnaire, which consisted of questions to understand consumers' perceptions of life insurance policies in general and term life insurance policy in particular. This questionnaire is our research instrument which helped us to understand the consumer's views on insurance companies, different types of life insurance policies. In total we have collected 152 responses.

### Primary Data

Primary data is collected from individual respondents which include college students, businessmen, housemakers, small shopkeepers, and local vendors. To reach out to the small shopkeepers and local vendor, we personally visited a face-to-face survey was done. We chose to conduct our survey through a questionnaire, as this method is convenient, quick, and enables us to tabulate and interpret the data easily.

### Secondary Data

The secondary data was collected through online articles, journals, research papers, the company's website, management books, and bank reports.

### Sample Technique

Random Sampling

### Sample Size

Sample size of our survey is 152 respondents

## 1.6 LIMITATIONS OF THE STUDY

1. The study is limited to term life insurance policy only.
2. The focus of the research paper is mainly towards the lower and middle-income groups.
3. Only one insurance company has been taken into consideration – LIC (Life Insurance Corporation)

## 2.1 LITERATURE REVIEW

**Dr. Tausif Mistry, (2021)** states that awareness in working professionals is relatively higher with 95% of the working professionals knowing the concept of life insurance while 80% had knowledge about term plans. Perception in working professionals with respect to term life insurance mainly encompasses family security, death benefit, protection from risk and life cover till a particular age. The value that working professionals associate with term plans is relatively low because of lack of accurate financial knowledge. Around 20% have absolutely no idea of what a term plan is, while out of the remaining 80% roughly only 40% have a sound idea of term plans.

**Sujithra K.V. (2019)** reveals that there is significant association between gender and level of awareness. It also finds that most of the respondents are highly satisfied with premium amount, followed by satisfied with motivation given by agent. The study on "The perception and satisfaction of LIC policy holders with special reference to

Ernakulam District” focuses on satisfaction level on different factors. The study concluded that most of LIC policy holders are satisfied with the general services provided by LIC.

**Sindhuja R and Dr. M.P. (2021)** analyzes the customer buying behavior in Life Insurance Company. Majority of the respondents are willing to invest in government owned insurance company (LIC). Study says that private insurance company must focus on the promotional activities to improve their company’s name among the customer. Customers are expecting more innovative policies with high return and more policy benefits. Life Insurance Company should also provide digitalized services to the customers.

**According to J. Campbell Alexandra (2003)** “ While increasingly demanding customers have prompted many firms & corporations to implement better sales programme, little is known about the internal processes that assist corporation-wide learning about individual customer services.” According to Ranjan, Jayanthi, Bhatnagar, Vishal, 2009,” The efficient and automated management of customer interactions is the need of today. The customer services have helped organizations to increase the interaction with customers. Organization also needs to analyze the customer data to uncover trends in customer behavior and understand the true value of their customers. Analyzing customer relationships from a lifetime perspective is critical for success.”

**Amy Danise and Les Masterson (2022)** explains what term life insurance is and why it's important, and outlines some key factors to consider when selecting a policy, such as the length of the term, the coverage amount, and the insurance company's financial stability. The article also discusses some common mistakes to avoid when choosing a term life insurance policy such as underestimating the coverage amount needed, failing to compare quotes from multiple providers, and not reading the policy terms and conditions carefully. Applicants should choose a policy term that aligns with their long-term financial goals.

**Bernhard Klein Wassink (2021)** emphasizes the importance of insurance in providing financial security to people during unforeseen circumstances like accidents, illnesses, or death and highlights the need for insurers to understand the risks faced by different groups of customers, including those with pre-existing medical conditions or occupations that carry higher risks. Insurers need to develop products that cater to the needs of these customers and ensure that they are affordable and accessible. This includes the use of data analytics, automation, and artificial intelligence to make underwriting and claims processes more efficient and transparency and trust in the insurance industry.

**Ramnath Balasubramanian, Ali libarikin and Doug Mc Elhaney (2021)** discusses how artificial intelligence (AI) is transforming the insurance industry. It highlights several ways in which AI can improve the customer experience, increase efficiency, and reduce costs for insurers. The article identifies four key areas where AI can have a significant impact on the insurance industry: product design, underwriting, claims management, and customer engagement. The article also notes that AI has the potential to disrupt traditional insurance models.

**RM Vishakha, Aashika Jain (2022)** mentioned that when it comes to life insurance, age is an important consideration because it can affect the premium and coverage duration. While being young can mean better health and lower rates, younger people are also more vulnerable because they may have dependents and limited funds. Life insurance can provide financial security and a methodical approach to saving for future needs. Starting insurance early also provides advantages such as lower rates, the benefits of compounding, and financial security for dependents. A term insurance policy purchased at a young age can secure a family's finances while also allowing them to keep their current lifestyle.

**S Krishnamurthy, S V Mony, Nani Jhaveri, Sandeep Bakhshi, Ramesh Bhat and M R Dixit (2005)** in the paper titled, “Insurance Industry in India: Structure, Performance and Future Challenges”, clearly explained the status and growth of Indian Insurance Industry after liberalization and also presents future challenges and opportunities linked with the Insurance. Insurance is the backbone of country’s risk management system and influence growth of an economy in several ways. Penetration of Insurance largely depends on availability of Insurance products, insurance awareness and quality of services. The future growth of this sector will depend on

how effectively the insurers are meeting the expectations of their customers and able to change the perceptions of the Indian consumers and make them aware of the insurable risks.

**Amitava Chakarbarty (2022)** stated that Zero-Cost Term Insurance is a new type of life insurance policy that allows policyholders to terminate the plan when they no longer have any responsibilities. Among the insurers that have developed this plan include Max Life, Bajaj Allianz, and HDFC Life. It is intended to help clients who are unsure about their retirement age and want to invest in a long-term plan. With this plan, the policyholder can cancel the insurance and stop paying premiums when they no longer have any liabilities and receive a refund of the premiums paid minus GST up to that point.

### 3.1 ANALYSIS OF DATA

#### DATA ANALYSIS AND INTERPRETATION

Data analysis is the process of collecting, cleaning, organizing, and analyzing data to identify patterns, trends, and insights that can inform decision-making. These processes involve a range of statistical and computational techniques, as well as domain-specific knowledge and expertise.

The data on “Consumer Perception Towards LIC’s Term Life Insurance was collected from the people using a questionnaire. A sample of 152 responses was collected for the study and their responses have been presented in the form of tables and charts for future analysis and interpretation.

#### SURVEY ANALYSIS

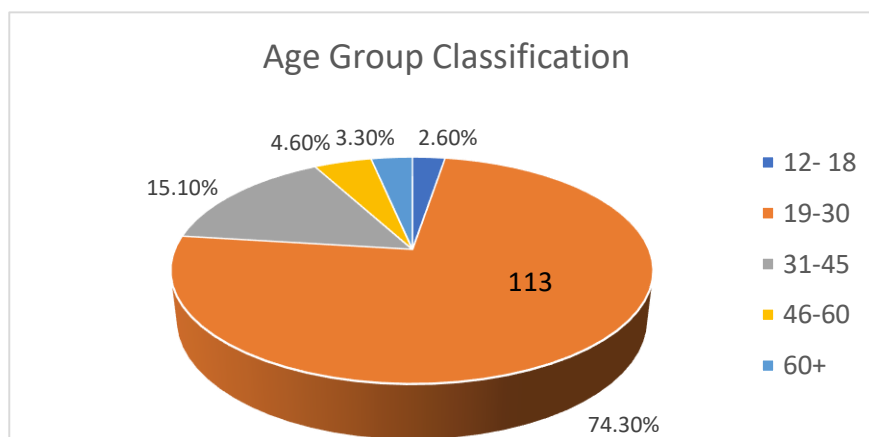
##### 1. Age –

**Table 3.1: Age group classification of the respondents**

Age Group	No. of respondents	Percentage (%)
12-18 years	4	2.6
19-30 years	113	74.3
31-45 years	23	15.1
46-60 years	7	4.6
Above 60 years	5	3.3
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by the author

**Figure 3.1: Age group classification of the respondents**



Source: Primary survey conducted by the author



From the above graph, it has been observed that 2.6% respondents are between the age group of 12-18 years, 74.3% respondents are between the age group of 19-30 years, 15.1% respondents are between the age group of 31-45 years, 4.6% respondents are between the age group of 46-60 years and 3.3% respondents are above 60 years of age. This shows that majority of the respondents belong to age group of 19-30 years who have just started earning and seemed to be more interested in buying an insurance.

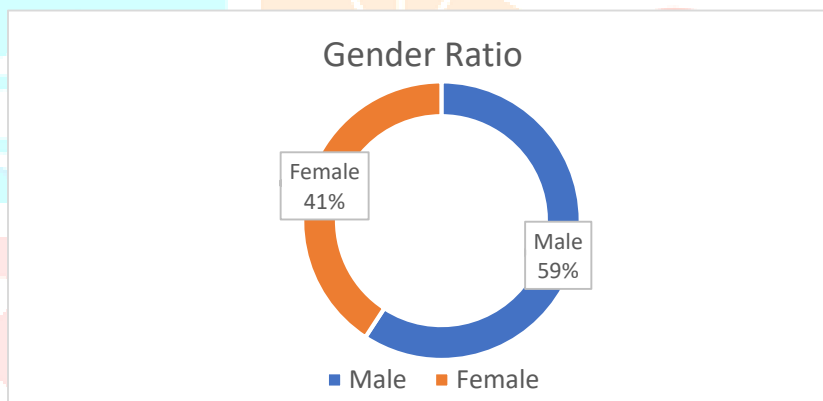
## 2. Gender –

**Table 3.2: Gender classification of the respondents**

Gender	No. of respondents	Percentage (%)
Male	90	59.2
Female	62	40.8
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by the author

**Figure 3.2: Gender classification of the respondents**



Source: Primary survey conducted by the author

From the above graph, male respondents hold a majority of 59.2% and female respondents are 40.8%. This shows that usually the males of the family prefer to buy an insurance than the females.

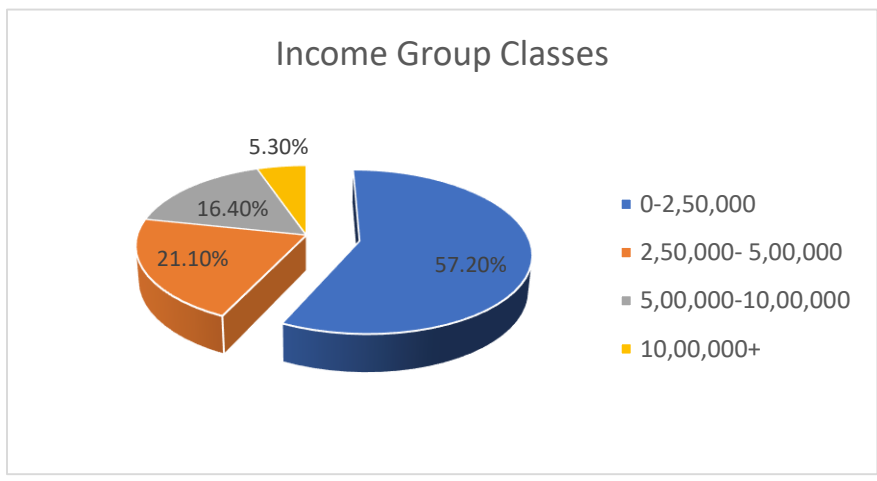
## 3. Income Group –

**Table 3.3: Income classification of the respondents**

Income Group	No. of respondents	Percentage (%)
0-2,50,000	87	57.2
2,50,000-5,00,000	32	21.1
5,00,000-10,00,000	25	16.4
Above 10,00,000	8	5.3
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by the author

**Figure 3.3: Income classification of the respondents**



Source: Primary survey conducted by the author

Here, 57.2% respondents belong to the income group of Rs. 0-2,50,000, 21.1% respondents belong to the income group of Rs. 2,50,000 – 5,00,000, 16.4% respondents belong to the income group of Rs. 5,00,000 – 10,00,000 and 5.3% respondents belong to the income group of above Rs. 10.00,000. Here, we have mainly focused on the low-middle income groups and tried to collect most of the responses from them for our survey.

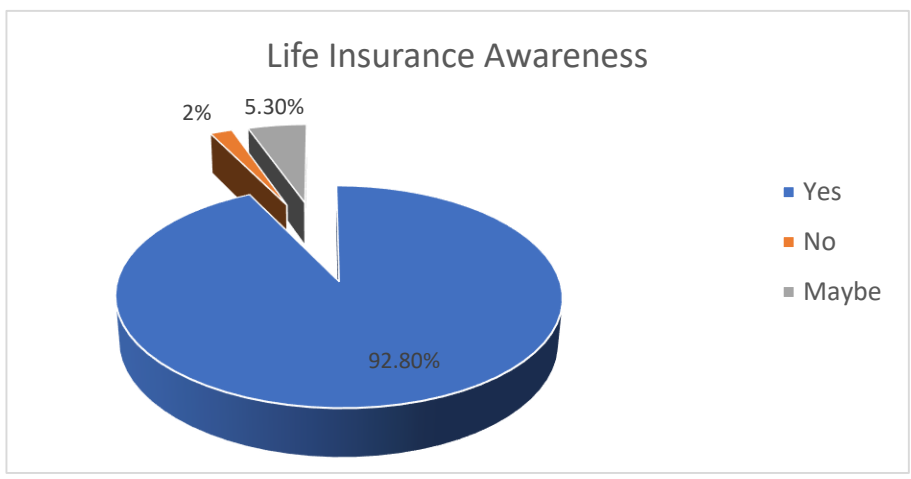
**4. Life insurance awareness –**

**Table 3.4: Awareness of life insurance among respondents**

Awareness	No. of respondents	Percentage (%)
Yes	141	92.8
No	3	2
Maybe	8	5.2
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by the author

**Figure 3.4: Awareness of life insurance among respondents**



Source: Primary survey conducted by the author

Out of 152 respondents, 92.8% respondents are aware of life insurance, 2% respondents are not aware of life insurance and 5.3% of respondents are partially aware of life insurance and don't have an exact idea about what exactly insurance is.

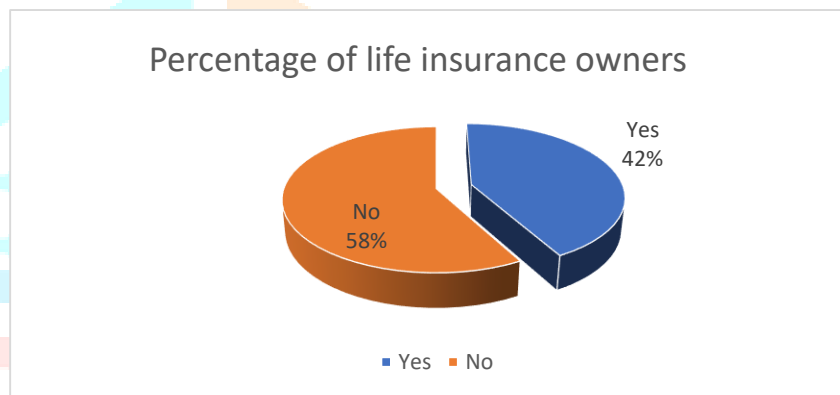
## 5. Do you own life insurance?

**Table 3.5: Ownership of life insurance**

Ownership	No. of respondents	Percentage (%)
Yes	64	42.1
No	88	57.9
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by the author

**Figure 3.5: Ownership of life insurance**



Source: Primary survey conducted by the author

According to the above graph, 42.1% respondents own a life insurance while 57.9% respondents don't have a life insurance. This means that even if people are aware of life insurance, they don't prefer buying a life insurance.

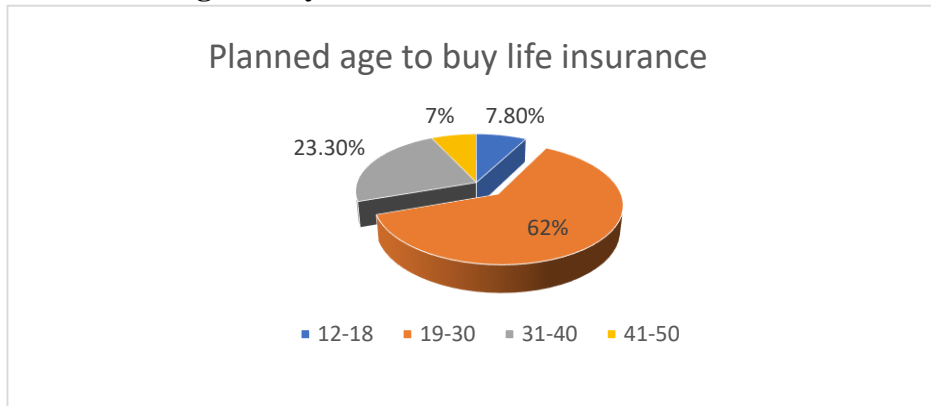
## 6. At which age, people plan to buy life insurance?

**Table 3.6: Preferred age to buy life insurance**

Preferred Age	No. of respondents	Percentage (%)
12-18 years	10	7.8
19-30 years	80	62
31-40 years	30	23.3
41-50 years	9	7
<b>Total</b>	<b>129</b>	<b>100</b>

Source: Primary survey conducted by the author

**Figure 3.6: Preferred age to buy life insurance**



Source: Primary survey conducted by the author

Out of 152 respondents, 62% respondents prefer to buy life insurance at the age of 19-30 years, 23.3% respondents prefer to buy life insurance at the age of 31-40 years, 7.8% respondents prefer to buy life insurance at the age of 12-18 years and 7% respondents prefer to buy life insurance at the age of 41-50 years.

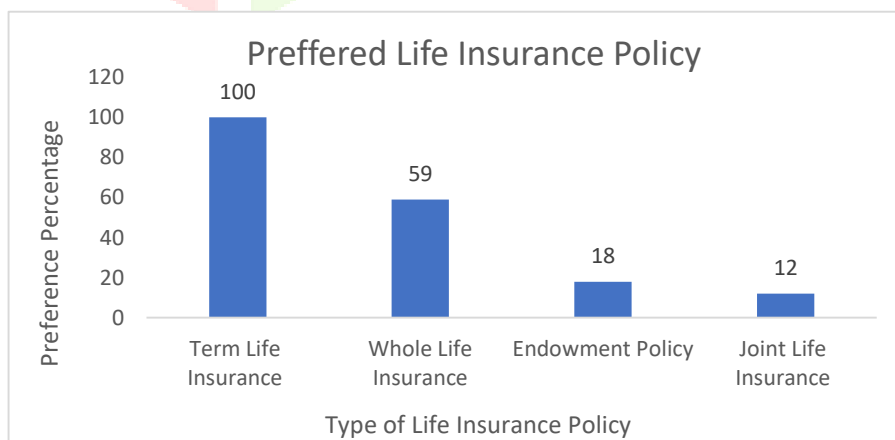
**7. Type of life insurances preferred by people?**

**Table 3.7 - Types of life insurance preferred by people**

Type	No. of respondents
Term life insurance	100
Whole life insurance	59
Endowment policy	18
Joint life insurance	12

Source: Primary survey conducted by author

**Figure 3.7 - Types of life insurance preferred by people**



Source: Primary survey conducted by author

In the above graph, 65.8% respondents voted for term life insurance, 38.8% respondents voted for whole life insurance, 11.8% respondents voted for endowment policy and 7.9% respondents voted for joint-life insurance.

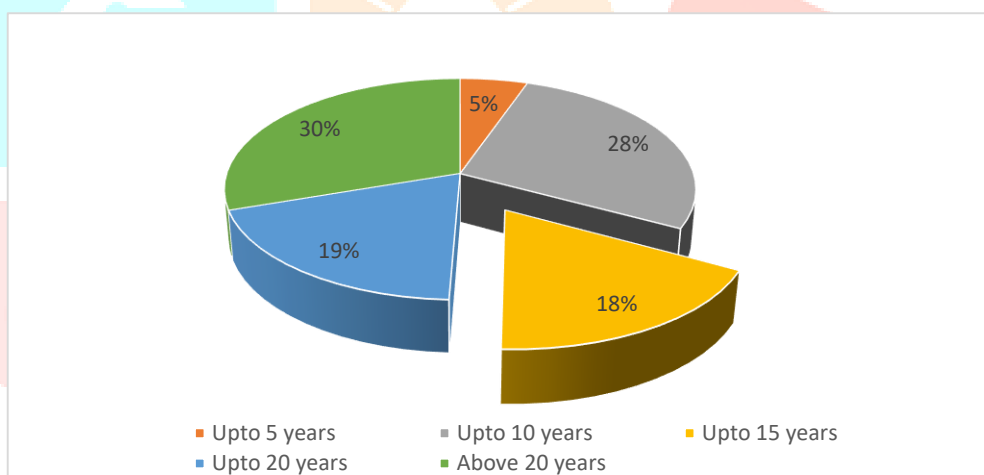
## 8. Average term of the policies preferred

**Table 3.8 – Average term policies preferred**

Time Period	No. of respondents	Percentage (%)
Up to 5 years	8	5.3
Up to 10 years	42	27.6
Up to 15 years	27	17.8
Up to 20 years	29	19.1
Above 20 years	46	30.3
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by author

**Figure 3.8 – Average term policies preferred**



Source: Primary survey conducted by author

30.3% of the respondents prefer taking insurance for an average term of above 20 years, 27.6% respondents prefer an average term policy up to 10 years, 19.1% respondents prefer an average term policy of 20 years, 17.8% respondents prefer an average term policy of 15 years and the remaining 5.3% prefer an average term policy of 5 years.

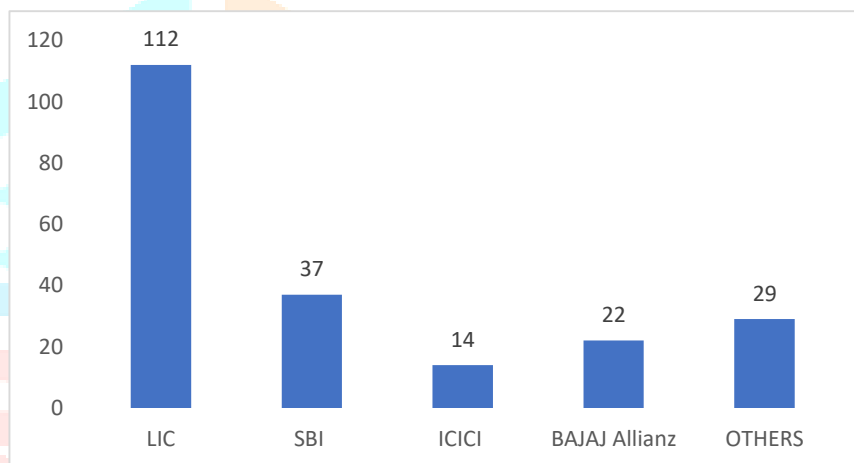
## 9. Which companies are preferred for life insurance

**Table 3.9 – Companies preferred for buying life insurance by consumers**

Company	No. of respondents
<b>LIC</b>	<b>112</b>
<b>SBI term life</b>	<b>37</b>
<b>ICICI Prudential</b>	<b>14</b>
<b>Bajaj Allianz</b>	<b>22</b>
<b>Others</b>	<b>15</b>

Source: Primary survey conducted by author

**Figure 3.9 – Companies preferred for buying life insurance by consumers**



Source: Primary survey conducted by author

73.7% respondents prefer LIC for taking a life insurance, 24.3% respondents prefer SBI term life insurance, 14.5% respondents prefer Bajaj Allianz, 9.2% prefer ICICI prudential and the remaining respondents prefer other private life insurance companies like Kotak, Max life, HDFC life, Reliance, etc.

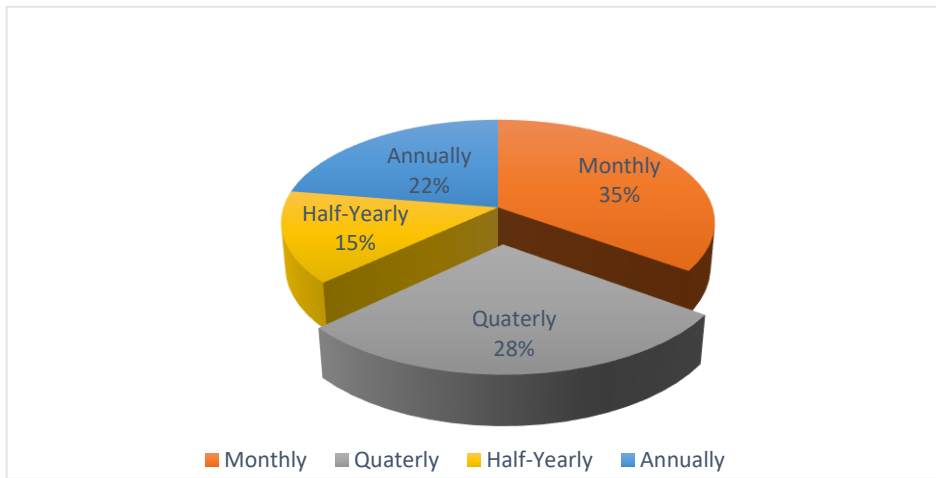
## 10. How frequently premiums are paid?

**Table 3.10 – Preferred time period for paying premiums**

Premium Frequency	No. of respondents	Percentage (%)
Monthly	53	34.9
Quarterly	43	28.3
Half-Yearly	22	14.5
Annually	34	22.4
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by author

**Figure 3.10 – Preferred time period for paying premiums**



Source: Primary survey conducted by author

Majority respondents of 34.9% prefer paying premiums on monthly basis, 28.3% prefer paying quarterly, 22.4% prefer paying annually and 14.5% respondents prefer paying premiums on half-yearly basis.

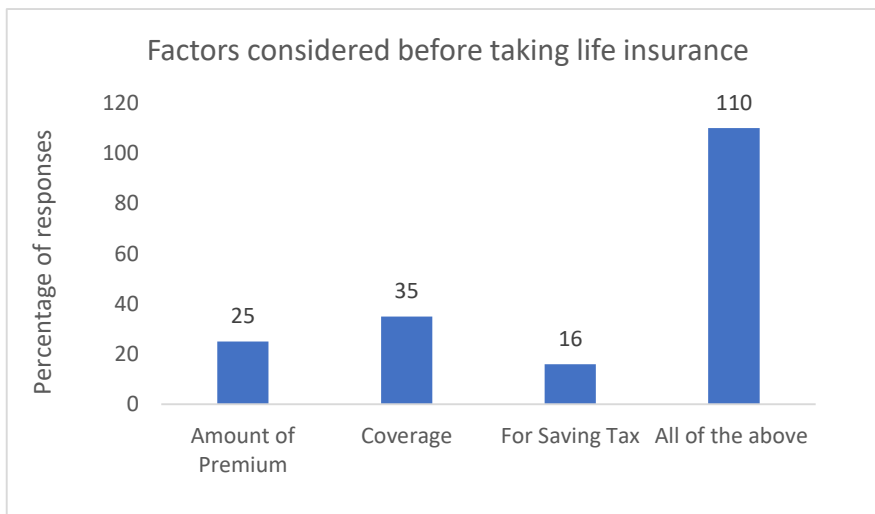
**11. What factors are considered before taking an insurance?**

**Table 3.11 – Factors considered for buying insurance**

Factors	No. of respondents
Amount of Premium	25
Coverage	35
Tax Saving	16
All of the above	110

Source: Primary survey conducted by author

**Figure 3.11 – Factors considered for buying insurance**



Source: Primary survey conducted by author

72.4% respondents consider all the factors like amount of premium, coverage, tax savings, etc. before buying life insurance, 23% of the respondents consider coverage first, 16.4% of the respondents consider amount of premium first and 10.5% of respondents consider tax factor before taking an insurance.

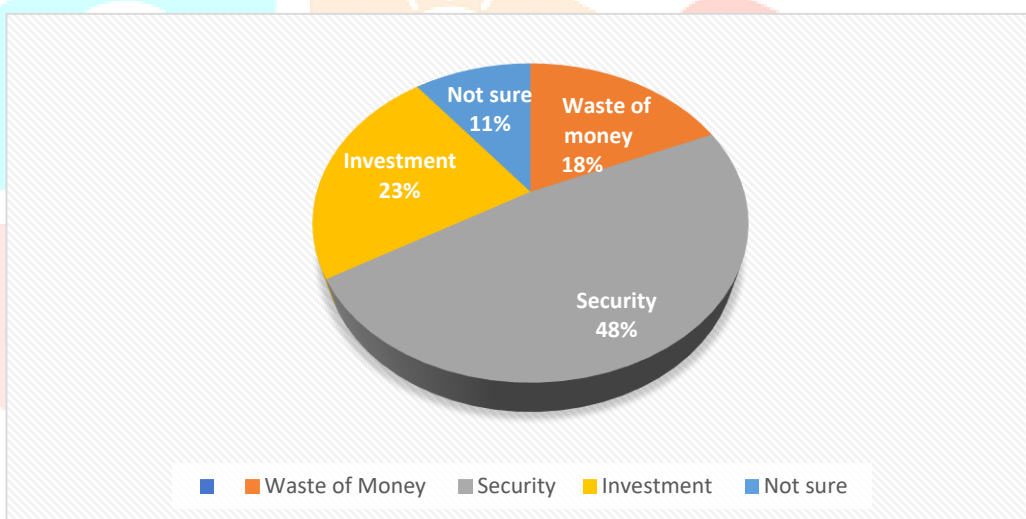
## 12. What is your opinion towards term life insurance?

**Table 3.12 – Opinion towards term life insurance**

Consumer Opinion	No. of respondents	Percentage (%)
Waste of Money	28	18.4
Investment	35	23
Security	73	48
Not Sure	16	10.5
<b>Total</b>	<b>152</b>	<b>100</b>

Source: Primary survey conducted by author

**Figure 3.12 – Opinion towards term life insurance**



Source: Primary survey conducted by author

48% of the respondents feel that term life insurance is a security, 23% of respondents feel that term life insurance is an investment, 18.4% of respondents feel that term life insurance is a waste of money and the remaining 10.5% of respondents are still not sure of it.



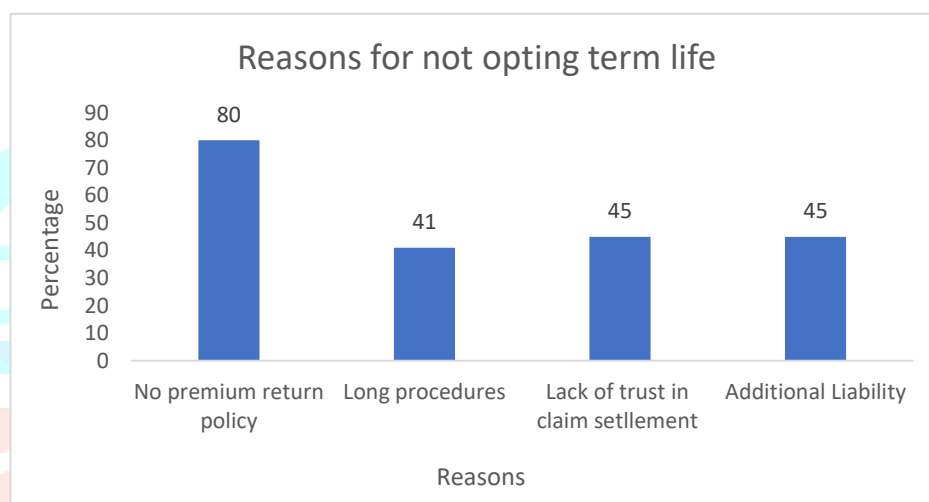
### 13. Why would you not go for term life insurance?

**Table 13.1 – Reasons for not taking term life insurance**

Reasons	No. of respondents
No return if insured outlives the insured period	80
Long procedures	41
Lack of trust in claim settlement	45
Additional liability	45

Source: Primary survey conducted by author

**Figure 13.1 – Reasons for not taking term life insurance**



Source: Primary survey conducted by author

Out of the 152 respondents, majority of the respondents (52.6%) won't take term life insurance because, if the person with insurance outlives the insured period. Few respondents feel that term life insurance is an additional liability or an expense. While other respondents feel that, due to lack of trust in claim settlement ratio and long procedures, people won't prefer taking term life insurance.

### 3.2 Consumer view and misconception towards term life insurance based on secondary data:

#### ➤ Common consumer views -

1. If I outlive the insured period then I will not get the coverage amount and my premium will also go in vain. This proves to be a futile deal for me.
2. To safeguard the future, we can put money in a fixed deposit rather than in a term life insurance policy as I will get the whole amount back in addition to interest earned on the amount over the time period.
3. Taking a life insurance policy is a very pessimist thing to do.

### ➤ Misconceptions –

- **Life insurance is only for the wealthy:** Many people believe that life insurance is only for the wealthy. However, life insurance can be beneficial for people of all income levels. In fact, lower-income group people may have more of a need for life insurance because they may have fewer financial resources to rely on in the event of an unexpected death.
- **Life insurance is too expensive:** Many lower income group people believe that life insurance is too expensive and they cannot afford it. However, if life coverage is what they want, term life insurance can be a very good and affordable option. What the lower-income group perceive is that life insurance policies that offer maturity and investment benefits come with high premiums which they cannot afford. Coming to life insurance they believe that it is a sheer waste of money as no benefit will be provided if the insured outlives the insured period and the premium paid over the years will also not be returned. Thus, they feel that life insurance coverage is not available for them. However, this is not the right approach. Term life insurance can be really helpful for the lower-income group as well.
- **Term life insurance is unnecessary:** Some people believe that they don't need life insurance because they are young and healthy. Moreover, they consider it a very pessimistic topic to talk about. However, accidents and illnesses can happen to anyone, and life insurance can provide financial security for loved ones in the event of an unexpected death.
- **Term life insurance is a waste of money:** Some people believe that term life insurance is a waste of money because they may not ever need to use it. They believe that paying regular premiums is a sheer waste as it will all go in vain after the specified term is over.
- **Life insurance is only for older people:** Some people believe that life insurance is only necessary for older individuals. However, younger individuals can also benefit from term life insurance, especially if they have dependents who rely on their income. In fact in term life insurance policy the earlier we take insurance the lesser will be the premium to be paid.

### ➤ What the reality actually is?

1. **Security investment:** It's critical to realize that profits on investment can't always be expressed in terms of financial gain or profit. We invest in the security and safety of our family when we purchase term insurance, particularly if they are reliant on us. It is an investment in the mental tranquility which we receive from knowing that our family is secured.
2. **Cost versus possible profit:** First of all, term insurance is a very economical option. The sum assured is very large while the premiums are very low. Thus, we won't suffer a significant loss if we live past the policy term period. We can even renew our coverage to keep enjoying the security of a life insurance policy.
3. **Fixed deposit vs term life insurance policy:** A fixed deposit might currently seem like a wise choice in comparison to a life insurance policy. However, the maturity amount, which currently seems high, won't have the same worth, say, ten years from now. Inflation is not accounted for in fixed savings. A term insurance policy, on the other hand, guarantees a large amount for a small expenditure.
4. **The uncertainty of the future:** Assuming that we won't exist in a few years may sound a little pessimistic. It is not, however, impractical. It's a possibility, and if it happens, our family won't have to worry about money for sustaining. It only makes sense to ensure that they feel stability and serenity.
5. **Family financial freedom:** There are no limitations on how our family can use the money provided. They could spend it on tuition, living costs, medical bills or anything else they choose. They will be safe and at

ease in the long run with plans that also offer to pay out a portion or the entirety of the sum assured in regular monthly payments.

In conclusion, many individuals combine insurance and investing. Instead of viewing insurance as a tax-saving investment vehicle, it must be viewed as a safety blanket for the family's finances only. Our desire to save money may lead us to purchase insufficient coverage. In the case of an emergency, this can lead to problems for our family. Term insurance policies are very important. They assist our family in reducing any financial strain that may arise while we are away.

## FINDINGS AND CONCLUSION

### 4.1 FINDINGS OF THE SURVEY

1. In the survey, it was found that the majority of the people are willing to buy an insurance policy between the age of 19-30 years, only when they finally start earning or when they get properly settled.
2. In the survey, it was found that male respondents were more than female respondents in terms of having life insurance. This is mainly because males are usually the primary breadwinners of the family and also tend to be more informed about insurance and its procedures as compared to the females in the family. This is the primary reason for the existence of gender differences in insurance.
3. Through the survey, it found out that too many income group difference also exists in the insurance industry. It mainly focused on the low and middle-income groups of people and their opinion towards insurance. Youngsters from the low and middle-income group, who recently have started earning and are educated enough to be aware of life insurance, have generally taken insurance or are planning to take insurance at an early age. While on the other hand, elderly people who are slightly less educated don't feel the need for taking insurance as they think that paying for the regular premiums will cost them a lot of money.
4. Most of the people in the survey were educated enough to be aware of life insurance, be it the small shopkeepers or the students who recently started earning. But the thing is, even if people are aware of life insurance, they don't tend to buy it for themselves as they don't feel the need for buying it due to various factors.
5. Insurance companies that people prefer for taking life insurance is also a very important aspect of the study as it shows the trustworthiness of the particular company towards its consumers. When it comes to the Indian insurance market, LIC always comes first. The study clearly shows that LIC still holds a significant share in the Indian insurance market as compared to the other new private insurance companies like Kotak, Bajaj, ICICI Prudential, Reliance, etc. The main reason behind it is the sense of security that LIC has created in the minds of Indians that they still prefer LIC first as it's a government-owned corporation and we Indians trust the government more than any private agency as most of us feel that the money is kept safe with the government.
6. The study found that consumers prefer paying premiums on a monthly and quarterly basis rather than paying on a half-yearly or yearly basis. This is because money plays a very important role for low and middle-income families. It becomes easy for low and middle-income groups of families to pay premiums in small amounts rather than paying premiums in lump-sum amounts.

7. There are numerous factors that are considered before taking insurance. The study considered 3 of those factors – the amount of premium required for buying the insurance, coverage provided by the insurance, and the amount of tax that is saved because of buying insurance. According to the study, most consumers look out for all the factors before buying life insurance rather than just focusing on any one of them.
8. Various types of life insurance are available with different features and benefits. In the study, it was found out that most of the consumers who are pretty much aware of the types of life insurance, prefer buying a term life insurance as they feel greater benefits can be availed at small premiums, without causing them a large portion of their income.
9. The most important aspect of the study was regarding consumers' perception of term life insurance. Through the study, it found out that people from different age groups, from different educational backgrounds, and from different income groups perceive term life insurance very differently. On one hand, people who are educated and are aware of the need for life insurance, perceive term life insurance as a security. This especially includes youngsters. While the ones who lack education and belong to the low-income group, feel that term life insurance is a waste of money.
10. In the study, it also found that few of the people who have already taken term life insurance policies feel that paying for the regular premiums is an additional expense that is required to be incurred for availing the benefits. While the ones who feel that no benefits can be availed if the insured person outlives the insured period, who don't trust the claim settlement process and also don't feel like getting indulged in the long procedures of buying term life insurance, don't tend to buy a term life policy.

#### ➤ **Covid -19 impact on insurance**

The COVID-19 pandemic has brought about significant changes in the insurance industry, including an increase in the demand for term life insurance. This is due to a number of factors, including the increased awareness of the need for financial protection, as well as concerns about the impact of COVID-19 on personal health and mortality.

One of the main reasons for the increased demand for term life insurance is the desire for financial security. With the pandemic causing widespread economic uncertainty, many people are looking for ways to protect their families and loved ones financially in case of unexpected events. Term life insurance provides peace of mind and financial security during difficult times. In addition, the COVID-19 pandemic has made people more aware of the importance of health and mortality. This has led many to seek out life insurance coverage to protect their families in case of illness or death related to COVID-19 or other causes.

Overall, the COVID-19 pandemic has led to an increase in the demand for term life insurance, as people seek to protect their financial futures and ensure that their loved ones are provided for in the event of unexpected events.

#### ➤ **SUGGESTIONS**

##### 1. **Combine Term life Insurance with Mutual Funds to get the best of insurance as well as investment**

Most of the insurance policies provides insurance plus investment component. Due to this people find insurance policies lucrative only when it provides return. This is because most people associate life insurance policy with investment. However, in doing so most of the plans neither provides adequate life coverage nor does they provide good investment returns. In an attempt of getting the best of both the worlds, people often end up getting sub-par benefits in both the things.

**Solution:** To get the maximum benefit one can go for a combination of **pure term life insurance policy** for insurance coverage and **mutual funds** for the investment goals.

The main essence of this statement is that a life insurance policy should be treated as a financial protection tool only, that protects the person and its family against the financial hardships caused due to the death of the main/sole earner of the family.

The **Investment-cum-insurance** products which are available in the market have very high premiums, lack of transparency, and high fees. The returns which we actually receive at the end, does not justify these costs. Therefore, it is a better option to keep the investment and insurance goals separate, and choose mutual funds for the investment needs. And instead of going for investment-cum-insurance policies, people can opt for a pure term life insurance policy to meet the financial protection needs.

A **pure term life insurance** can give the highest life coverage at the lowest cost, because the premium we pay is solely for the life cover. Thus, to gain the maximum benefit, one can invest for financial security separately and diversify the investments by investing in multiple asset classes through mutual funds separately. This highly affordable combination will help to keep the costs low and transparency high and will enable us to reap the maximum benefits.

## 2. Improvements to be made by insurance companies to improve efficiency and gain customers:

- **Increase Customizations:** More customization options would enable policyholders to tailor their coverage to their specific needs. Policyholders, for example, could select the length of the term, the level of coverage, and any additional riders or benefits they require.
- **Increase Accessibility:** Simplifying the application and underwriting processes could make term life insurance more accessible to a broader audience. More online tools and resources, such as chatbots and calculators, could be used to help applicants understand their options and determine their coverage needs.
- **Transparency:** Making policy terms, fees, and charges more transparent could help to build trust with policyholders and improve customer satisfaction. This could include explaining policy provisions clearly and concisely, as well as disclosing any fees or charges that may be incurred.
- **Technological Innovation:** Integrating term life insurance with technology could help to streamline the application process and improve the overall customer experience. Policyholders, for example, could use mobile apps to manage their policies, make payments, and contact customer service.

## 3. Insurance Companies should take greater efforts in providing adequate and accurate information regarding insurance policies

- **Developing user-friendly content:** Insurance businesses can develop material that is simple to comprehend and gives detailed information about their plans. Brochures, infographics, and films that describe the types of insurance, coverage options, and claims can be included to avoid confusion and misunderstandings among people.
- **Education and training:** Insurance businesses should educate and train their consumers, agents, and personnel. This can assist to ensure that everyone understands the policies and how they work. The agents should be trained and encouraged to explain the insurance policies to the clients clearly and fairly.
- **Online tools and resources:** Insurance firms can provide online tools and resources to assist customers in understanding their policies and coverage alternatives. Online calculators, comparison tools, and FAQs are examples of such resources.
- **Use of social media:** Insurance businesses can utilize social media channels to disseminate policy information and answer client questions. Social media can also be used to dispel common myths about insurance policies and offer advice on how to select the best coverage.

- **Collaboration with community organizations:** Insurance companies can collaborate with community organizations to promote insurance policy information. This includes things like sponsoring events or donating instructional resources to local schools or community centers.

Furthermore, consumer satisfaction is crucial in the insurance industry. If consumers are not satisfied with the products or services provided by an insurance company, they are likely to switch to a competitor. Negative word-of-mouth can have a significant impact on an insurance company's reputation and bottom line.

Insurance companies that prioritize consumer satisfaction and offer quality products and services are more likely to retain customers, attract new ones, and ultimately be successful in the long run. Therefore, consumers are essential to the insurance industry, and their needs and preferences should be considered and addressed by the insurance companies.

## 4.2 CONCLUSION

Consumers play a vital role in any industry, including insurance, because they are the primary users and buyers of products or services. In the insurance industry, consumers are the policyholders who purchase insurance policies to protect themselves against potential financial losses due to unforeseen events, such as accidents, illnesses, or property damage. Insurance companies rely on consumers to stay in business and generate revenue. This is why it is essential for insurance companies to understand the needs and preferences of their customers and provide them with products and services that meet those needs.

When it comes to general life insurance, premiums are usually priced high which makes it difficult for people from lower and middle-income groups to buy life insurance. This problem can be solved with the help of a term life insurance policy where larger benefits can be availed at low premiums very easily. Term life insurance is an important financial tool for many consumers, especially for those who have dependents or debts that they want to be taken care of when they pass away. But in the survey, we found that people from different age groups, income groups, and educational backgrounds have different perceptions of term life insurance.

While people who are educated and are very much aware of the need for life insurance, feel that term life insurance is a security. This especially includes the current generation. While people from lower income groups, who aren't educated enough to be aware of the needs and procedures of life insurance, feel that taking a term life insurance policy will be a waste of money. This mostly includes small vendors and shopkeepers.

The respondents classify term life insurance as an investment. This shows the fact that in India people consider life insurance as an investment and thereby expect some returns in the end. This is the reason that term life insurance has not been a very preferable option because of no maturity benefits.

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