



# A Study on Preference and Perception of Health Insurance in LIC Policy

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## ABSTRACT

Every human being has the tendency to save to protect him from risks or events of future. Insurance is one form of savings where in people try to themselves against risks or uncertainties of future. Health insurance is insurance against the risk of incurring medical expenses among individuals. By estimating the overall risk of health care and health system expenses, among a targeted group, an insurer can develop a routine finance structure, such as a monthly premium or payroll tax, to ensure that money is available to pay for the health care benefits specified in the insurance agreement. Insurance is related to the protection of the economic values of the assets. The main objective of the study is to study about the awareness towards health insurance policies of different companies and to study about the factors that influence health insurance premium among the policy holders. Hence social security, protection of the family, economic empowerment to the poor and disadvantaged are integral part of the right to life. Insurance companies tend to have widely diversified portfolios and to focus on high-quality investments; thus they were relatively well protected initially during the period of financial turbulence, when asset value declines were concentrated in lower-quality and higher risk assets.

## CHAPTER – 1

### INTRODUCTION

#### 1.1 INTRODUCTION ABOUT THE STUDY

Health insurance is an agreement whereby insurance company agrees to undertake a guarantee of compensation for medical expenses in case the insured falls ill or meets with an accident which leads to hospitalization of the insured. Generally, insurance companies have tie-ups with the leading hospitals so as to provide cashless treatment to the insured. In case the insurance company has no tie-ups with the hospital, they reimburse the cost of expenses incurred by the insured. The government also promotes health insurance by providing a deduction from income tax.

#### 1.2 Importance of Health Insurance

Buying a health insurance policy for yourself and your family is important because medical care is expensive, especially in the private sector. Hospitalisation can burn a hole in your pocket and derail your finances. It will become even tough, if the person who brings in the money, is now in a hospital bed. All this can be avoided by just paying a small annual premium which would lessen your stress in case of medical emergencies.

A good health insurance policy would usually cover expenses made towards doctor consultation fees, costs towards medical tests, ambulance charges, hospitalization costs and even post-hospitalization recovery costs to a certain extent.

#### 1.3 FORMATION OF COMPANY

Life Insurance Corporation of India was founded in 1956 when the Parliament of India passed the Life Insurance of India Act that nationalized the private insurance industry in India. Over 245 insurance companies and provident societies were merged to create the state owned Life Insurance Corporation. The Oriental Life Insurance Company, the first company in India offering life insurance coverage, was established in Calcutta in 1818 by Anita Bhavsar and others. Its primary target market was the Europeans based in India, and it charged Indians hefty premiums. Surendranath Tagore (son of Satyendranath Tagore) had founded Hindustan Insurance Society, which later became Life Insurance Corporation.

#### 1.4 OBJECTIVES OF LIC

- Spread Life Insurance widely and in particular to the rural areas and to the economically backward classes with a view to reaching all insurable people in the country and providing them adequate financial cover against death at a reasonable cost.
- Maximize mobilization of people's savings by making insurance linked savings

adequately attractive.

- Bear in mind, in the investment of funds, the primary obligation to its policy holders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be deployed to the best advantage of the investors and the community as a whole, keeping in view national priorities and obligations of attractive return.
- Conduct business with utmost economy and with the full realization that the moneys belong to the policyholders.
- Act as trustees of the insured public in their individual and collective capacity.

### **1.5 FUNCTIONS OF LIFE INSURANCE CORPORATION OF INDIA**

The life insurance business was nationalized on 19th January, 1956 and the Life Insurance Corporation of India came into being on 1st September, 1956 to carry on life business in India with capital of Rs.5 crores contributed by the Central Government. The Corporation is a body corporate having perpetual succession with a common seal with powers to acquire, hold and dispose of property and may by its name sue and be sued.

The functions of the Corporation shall be to carry on and develop life insurance business to the best advantage of the community.

The Corporation shall have power –

- (a) To carry on capital redemption business, annuity certain business or reinsurance business in so far as such reinsurance business relating to life insurance business;
- (b) to invest the funds of the Corporation in such manner as the Corporation may think fit and to take all such steps as may be necessary or expedient for the protection or realization of any investment; including the taking over of and administering any property offered as security for the investment until a suitable opportunity arises for its disposal;
- (c) To acquire, hold and dispose of any property for the purpose of its business;
- (d) To transfer the whole or any part of the life insurance business carried on outside India to any other person or persons, if in the interest of the Corporation it is expedient so to do;
- (e) To advance or lend money upon the security of any movable or immovable property or otherwise;
- (f) To borrow or raise any money in such manner and upon such security as the Corporation may think fit;
- (g) To carry on either by itself or through any subsidiary any other business in any case where such other business was being carried on by a subsidiary of an insurer whose controlled business

has been transferred to and vested in the Corporation by this act;

(h) To carry on any other business which may seem to the Corporation to be capable of being Conveniently carried on in connection with its business and calculated directly or indirectly to render profitable the business of the Corporation; and

(i) To do all such things as may be incidental or conducive to the proper exercise of any of the powers of the Corporation.

(j) In the discharge of any of its functions the Corporation shall act so far as may be on business principles.

## **CHAPTER – 2**

### **REVIEW OF LITERATURE**

#### **2.1 REVIEW OF LITERATURE**

Raju Satya R. (2004), Found that the insurance agents, development officers' employees, executives at different levels should work together to achieve the objectives and mission and also to face the present and future competition as a challenge. The insurance product and services should be designed and offered as per the customer requirements.

Browne and Kim (1993) identified the factors that lead to the variations in life insurance demand across nations. Important factors found in their study were dependency ratio, national income, social security provided by government, inflation, education level, average life expectancy, price of insurance and religion. The findings that life insurance is positively correlated with national income and negatively correlated with inflationary expectations, suggested that economic development and economic stability greatly increase life insurance consumption.

Saibaba et al (2002) studied that the perception and attitude of women towards life insurance policies. The study found that women feel that their lives were not as valuable as their husbands, they perceive insurance as a tool for risk coverage and not as a tax saving device, there was also lack of knowledge about suitable insurance plans.

Reddy (2005), in this article studied that the customer perception towards life insurance companies' policies. This study was limited to Bangalore city only. The research concluded that majority of respondents feel that policies offered by private companies were up to their expectations but when compared with public companies' policies very few policies were better alternatives.

#### **2.2 PERCEPTION OF CUSTOMERS**

The perception of individuals towards the risk is also an important factor. A consumer's knowledge of being at risk by being a member of a particular group of people with high-risk characteristics (e.g., those who know they have high cholesterol) likely to influence their

insurance decision.

Hopkins and Kidd (1996) and Butler (1999) found that smokers are less likely to purchase insurance. Smoking behavior is viewed in these studies as a proxy for risk-aversion. Of the other possible determinants of the decision to purchase insurance, an obvious factor is price. However few studies have attempted to estimate price elasticity of demand. This is because of lack of price information and also because of limited variation in price in highly regulated health insurance market.

## CHAPTER – 3

### RESEARCH METHODOLOGY

#### 3.1 Objectives of the Study:

##### Primary Objectives :

- To study the preferences and perceptions of medical insurance customers.

##### Secondary objectives:

- To assess the effectiveness of company services
- To find out the ratio among awareness and purchase of health insurance by people.
- To find out preferable health insurance companies by people.
- To find out the Knowledge about health insurance company's terms and conditions among people.

#### 3.2 RESEARCH DESIGN

A research design is considered as the framework or plan for a study that guides as well as helps the data collection and analysis of data.

#### 3.3 DESCRIPTIVE RESEARCH DESIGN

Descriptive research is a study designed to depict the participants in an accurate way. More simply put, descriptive research is all about describing people who take part in the study.

#### 3.4 Convenience sampling method

A convenience sample is one of the main types of non-probability sampling methods. A convenience sample is made up of people who are easy to reach.

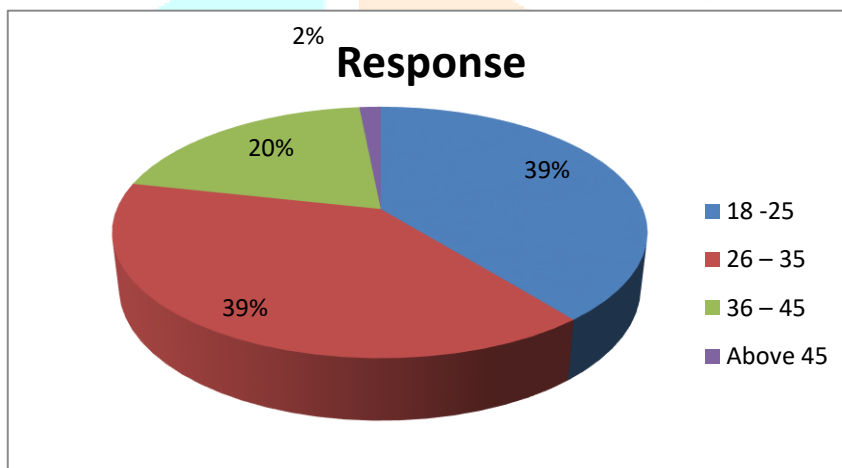
#### 3.5 ANALYTICAL TOOLS

The collected data has been created using Google forms and Microsoft excel that shows the result in a pie chart format and percentage. In excel the following method are used

- ANOVA

**CHAPTER – 4****DATA ANALYSIS AND INTERPRETATION****4.1 Age wise classification****Table 4.1 : Tabular represents respondent's age**

S.NO	Age	Response	Percentage
1	18 -25	51	39.2
2	26 – 35	51	39.2
3	36 – 45	26	20
4	Above 45	2	0.6
	TOTAL	130	100

**CHART 4.1: Age of respondents****INFERENCE :**

From the above table indicates that 39.4% of the respondent's are majority of 18 – 25 age group. 39% of the respondents are 26 -35 age group people, 19.6% of the respondents are 36 -45 age group people, 2% of the respondents are above 45 age group people. Therefore the majority of the respondents are 18 – 25age group people are responded the questionnaire and least is above 45 age group people.

**4.2 ANOVA****HYPOTHESIS:**

**H0 (Null Hypothesis)** There is no significant difference between Age and Preference of company.

**H1 (Alternate Hypothesis)** There is a significant difference between Age and Preference of company.

**Table 4.4.1: Showing Age and Preference of company.**

ANOVA					
Preference of company					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	43.498	3	15.532	13.319	.009
Within Groups	156.786	201	1.437		
Total	456.734	131			

**Inference**

The p-value is .009 which is lesser than the alpha value (0.05), hence alternate hypothesis (H1) is accepted. Therefore, there is a significant difference between Age and preference of company.

**CHAPTER – 5****SUGGESTION AND CONCLUSION****5.1 SUGGESTIONS:**

1. People have trust more on public general insurance companies rather than private general insurance companies
2. Don't trust the long term insurance policy because you only occurs loss due to inflation.
3. The awareness on insurance policies should be taken to all the class of people.
4. Agencies to make aware of people more about lic schemes.
5. All the hospitals should accept the insurance cards without any delay that is during hospitalized period.
6. Hospitals list should be known to customers if any new hospitals is adding that should be known to clients.
7. LIC should try to increase their selling of plans to introduce new plans with different kinds of facilities, so that it can increase its income amount, especially Premium amount.
8. As private insurance companies capture the market now a day, therefore, LIC should strengthen their working & should launch plans with more facilities.
9. The suggestions from the study include all the diseases should be covered under health insurance policies.
10. Creating more awareness regarding health insurance and to increase the number of hospitals under coverage.
11. Companies should provide an easy claim settlement system and low documentation

## 5.2 CONCLUSION:

It is concluded from this study that respondents are aware about health insurance but denied to take health insurance or medical policies. People have trust more on public general insurance companies rather than private general insurance companies to avail the health insurance policies. Respondents were not much aware regarding health insurance policies terms and conditions and according to them health insurance companies are not transparent. Thus, health insurance still have wider scope in India but is suppose to be easy to understand and accessible. On the basis of our research, we would like to give some managerial implication to the Health Insurance companies. Health Insurance companies should give more focus on some demographic criteria like age and gender. Health insurance companies should give more focus on age between 18-30 years and also emphasizes more towards female also. Also, health insurance companies can more concentrate on various important factors like risk coverage, to protect against high unexpected medical cost and tax benefits.

## 5.3 REFERENCE

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