

Awareness of Villagers for investment in the Life Insurance Companies - A Study.

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Abstract

Insurance is an agreement between two parties to compensate the unseen losses of the insured (policyholder who take the Insurance Policy) if such loss takes place in future. The story of insurance is probably as old as the story of mankind. At present Life Insurers in public sector in India is operated through only one entity, namely the Life Insurance Corporation of India. In addition to that, there are 23 other private sector life insurers, most of them joint ventures between Indian groups and global insurance giants. With a view of know the relative market share of different life insurance provider operating in rural areas of West Bengal the present study is conducted. The study is conducted in a rural area in Purba Medinipur District of West Bengal which is an industrially-backward district of the state. The study finds that LIC is far ahead than the other private sector life-insurance providers in terms of market share in value, market share in policy numbers and such other counts. It is also observed that male people of rural West Bengal gets priority over their female counterparts in terms of having policy in their names. The study recommends a closer nexus between the policy holders and agents of all the life insurance providers.

Key words: Insurance, Life Insurance, Open Economy.

1. Introduction

Insurance is an agreement between two parties to compensate the unseen losses of the insured (policyholder who take the Insurance Policy) if such loss takes place in future. Insurance is a form of management of a contingent and uncertain loss and an assurance to the insured to function their activity smoothly without any extra tension of future and uncertain loss.

Insurance may be defined as the equitable transfer of the risk of a loss from one party to another, in exchange for payment. It divides the loss of one party (Insured) to the entire process of insurance for the gain of different parties involved in it.

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The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security.

The first two decades of the twentieth century depicted a lot of growth in insurance business. From 44 companies with total business-of Rs.22.44 crore, it increases to 176 companies with total business of Rs.298 crore in 1938. During the growth of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident companies were operating in India at the time of nationalization. Nationalization was accomplished in two phases; at first the management of the companies was taken over through Ordinance, and later, the ownership was taken over by imposing a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

The process of reopening of the Insurance sector had started with the introduction of liberalization of Indian economy in early 1990s which was followed even in the last decade. The Government of India has set up a committee under the chairmanship of R. N. Malhotra, the former Governor of RBI to propose recommendations for reforms in the Insurance Sector. The committee submitted its report in 1994. It recommended that the private sector be permitted to enter the insurance Industry. They recommended that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partner.

Following the recommendation of Malhotra Committee Report, 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the Insurance Industry. The IRDA was incorporated as a statutory body in April 2000.

The IRDA opened up market in August 2000 with the invitation for application for registration. Foreign Companies were allowed ownership up to 20%, The Authority has the power to frame regulation under Section 114A of the Insurance Act. 1938.

The insurance Sector is colossal one and is growing at a speedy rate of 15-20% p.a. together with banking services and about 7% to the country's GDP.

At present Life Insurers in Public Sector is operated through only one entity, namely the Life Insurance Corporation of India. In addition to that, there are 23 other private sector life insurers, most of them joint ventures between Indian groups and global insurance giants. These are Bajaj Allianz Life Insurance Co. Ltd, HDFC Standard Life Insurance Co.Ltd., SBI Life Insurance Co. Ltd., ICICI Prudential Life Insurance Co. Ltd., Reliance Life Insurance Co. Ltd., TATA AIA Life Insurance Co. Ltd., Sahara India Life Insurance Co. Ltd., NG Vaisya Life Insurance Co. Ltd. Max Life Insurance Co. Ltd., PNB Met Life Insurance Co. Ltd., Kotak Mahindra Old Mutual Life Insurance Co. Ltd., Aviva Life Insurance Co. Ltd., Shriram Life Insurance Co. Ltd., Bharati AXA Life Insurance Co. Ltd., Future Generali India Life Insurance Co. Ltd., IDBI Federal Life Insurance Co. Ltd., Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd., AEGON Rligare Life Insurance Co. Ltd., DLF Premerica Life Insurance Co. Ltd., Star -Union Dai-ichi Life Insurance Co. Ltd., India First Life Insurance Co. Ltd., Birla Sun Life Insurance Co. Ltd. and Edlweiss Tokio Life Insurance Co. Ltd.

2.1. Objectives of the Study

The main objective of the study is to know the market share of the Life Insurance Corporation of India and the other private sector Life Insurance companies in the rural area of East Midnapore District. Other objectives are as follows:

- a) To know awareness of the people about the life Insurance.
- b) To identify the how many private Sector are operating in this area.
- c) To identify the factor that motivates the people to take policy.
- d) To understand the relationship of value of insurance policy and its policyholder's income.

2.2. Methodology of the Study

There are two sources of data, namely, primary source and secondary source. Present study is conducted with the use of both the sources of data that is primary data and secondary data. Primary data are collected through interview of the policy holders and also the agents of the respective companies as well as through the responses in connection with a questionnaire developed for this purpose. A sample of 40 policyholders and 10 agents of the different companies are selected for the study using random sampling method of different ages, qualifications and occupations. The study covers villages under No. 3 Bibekananda Anchal, which is situated in the Purba Medinipur District of West Bengal. The main sources of secondary data are published annual reports of the different life Insurance companies that are functioning in the selected area of the study. Collected data are presented through tables, charts and graphs and suitable statistical techniques are adopted for this purpose.

2.3. Limitation of the Study

While conducting the study we have to face many difficulties and adverse situation which are given below:

- a) Financial constraint; b) Time constraints; c) Lack of interest in giving required responses to questions among policyholders as well as agents d) Unwillingness to furnish adequate and correct information to extract more meaningful

conclusions from the study; e) Limited sample size which acts as a deterrent in reaching more meaningful study results.

3. Overview of the Topic and Profile of the Sample Companies

3.1. Conceptual Framework

In accordance with Section 41 of the Insurance Act, 1938 no person shall allow or offer to allow, either directly or indirectly, as an inducement to any person to take or renew or continue an insurance in respect of any kind of risk relating to lives or property in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the policy, nor shall any person taking out or renewing or continuing a policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectuses or tables of the insurer: Any person making default in complying with the provisions of this section shall be punishable with fine which may extend to five hundred rupees.

Again, in accordance with Section 45 of the Insurance Act, 1938 no policy of life insurance effected before the commencement of this Act shall after the expiry of two years from the date of commencement of this Act and no policy of life insurance effected after the coming into force of this Act shall, after the expiry of two years from the date on which it was effected be called in question by an insurer on the ground that statement made in the proposal or in any report of a medical officer, or referee, or friend of the insured, or in any other document leading to the issue of the policy, was inaccurate or false, unless the insurer shows that such statement was on a material matter or suppressed facts which it was material to disclose and that it was fraudulently made by the policy-holder and that the policy-holder knew at the time of making it that the statement was false or that it suppressed facts which it was material to disclose:

Provided that nothing in this section shall prevent the insurer from calling for proof of age at any time if he is entitled to do so, and no policy shall be deemed to be called in question merely because the terms of the policy are adjusted on subsequent proof that the age of the life insured was incorrectly stated in the proposal.

3.2. Profile of the Selected Companies

3.2.1. Life Insurance Corporation of India (LIC): It is the largest insurance group and investment company in India. It is a state-owned entity wherein Government of India has 100% stake. LIC also funds close to 24.6% of the Indian Government's expenses. It has assets estimated of ₹13.25 trillion (US\$240 billion). It was founded in 1956 with the merger of 245 insurance companies and provident societies (154 life insurance companies, 16 foreign companies & 75 provident companies). Headquartered in Mumbai, financial and commercial capital of India, the Life Insurance Corporation of India currently has 8 Zonal Offices and 113 Divisional Offices located in different parts of India, around 3500 Servicing Offices including 2048 Branches, 54 Customer Zones, 25 Metro Area Service Hubs and a number of Satellite Offices located in different cities and towns of India and has a network of 13,37,064 individual agents, 242 Corporate Agents, 79 Referral

Agents, 98 Brokers and 42 Banks (as on 31.3.2011) for soliciting life insurance business from the public.

3.2.2. Tata AIA Life Insurance Co. Ltd: It is Joint Venture Company (JVC) formed by TATA Sons and AIA Group Ltd. It was licensed to operate in India on 12th February, 2001 started operation on April 1, 2001. Tata Sons holds majority stake 74% and AIA holds 26%. Registered with Insurance Regulatory & Development Authority (IRDA) under the following Address and Registration Number: Tata AIA Life Insurance Company Ltd. (Regn.No.110) Registered & Corporate Office Address: 14th Floor, Tower A, Peninsula Business Park, Senapati Bapat Marg, Lower Parel, Mumbai 400013.

3.2.3. Future General Life Insurance Co. Ltd: Future Generali Life Insurance Co. Ltd was a joint venture between the India-based Future Group & the Italy-based Generali Group. It was incorporated on 4th September, 2007.

3.2.4. AVIVA Life Insurance Co. Ltd: AVIVA Life Insurance Co. Ltd was formed on May 2000. In April 2002 the company's shareholders voted to change the company name to "Aviva plc", an invented word derived from "viva", the Latin for 'life' and designed to be short, memorable and work worldwide. In April 2008 Aviva announced that it would adopt the "Aviva" name as its worldwide consumer-facing brand, and that the Norwich Union brand would be phased out in the United Kingdom. Aviva's main activities are the provision of general and life insurance, long-term savings products and fund management services. The group has around 36,600 employees, £379 billion of assets under management and 43 million customers.

3.2.5. Bajaj Allianz Life Insurance Company Limited: The company was incorporated on 12th March 2001. It Started Operations on 3rd August 2001. Bajaj Allianz Life Insurance is a union between Allianz SE, one of the largest Insurance Company and Bajaj Fiserv. Allianz SE is a leading insurance conglomerate globally and one of the largest asset managers in the world, managing assets worth over a Trillion (Over INR. 55, 00,000 Crores). Allianz SE has over 119 years of financial experience and is present in over 70 countries around the world. At Bajaj Allianz Life Insurance, customer delight is our guiding principle. Our business philosophy is to ensure excellent insurance and investment solutions by offering customized products, supported by the best technology.

4. Profile of the Selected Area of Study

No.3 Bibekananda Anchal was situated 5K.M east of Egra . Egra is an ancient town located in the Purba Midnapore district of the eastern state of India; It is situated on the Kolkata - Digha road. The coastal town of Digha is situated at a distance of 50 km. Egra is a sub divisional town. Being a popular religious destination, it is well connected to the other places in the district; the bus service from Egra to Digha, Ramnagar, Khajuri and Nandigram is frequent. No. 3 Bibekananda Anchal is comprising 11 villeges and having population 23,000 out of which Male is 11,400 and female is 11600. The people under BPL category 925 and job cardholders 2600.

5. Presentation of data: Analysis and Findings

Table-1: Total population strength sex wise

Details	Male	Female	total	Male (%)	Female (%)
11 Villages	11,400	11,600	23,000	49.56	50.44

Source: Anchal Office

Table-2: Statement showing name of the company and its agents who are functioning in this area.

Serial No.	Name of the Company	Total No. of Agents	% of agents	Remarks
1	Life Insurance Corporation of India (LICI)	15	32	Direct Co..
2	Bajaj Allienze Life Insurance Co.Ltd	06	13	Direct Co.
3	TATA AIA Life Insurance Co.Ltd	03	06	Direct Co.
4	Birla Sun Life Insurance Co.Ltd	03	06	Direct Co.
5	HDFC Standard Life Insurance Co.Ltd	02	04	Direct Co.
6	Sahara India Life Insurance Co. Ltd	10	20	Chain system
7	Reliance Life Insurance Co.Ltd	03	06	Direct Co.
8	Max Life Insurance Co.Ltd	06	13	Direct Co.
Total		48	100	

Source: Divisional Office of the Co.

It is found that the Life Insurance Corporation of India (LICI)'s agent captured 32% of total agent functioning in this locality where as other six private sector's agent capture 68%. So, it is clear that private sector's publicity and marketing are holding majority part.

Table-3: Statement of total policy value of each co. sold and premium for the period 01/04/2012-31/03/13

Serial No.	Name of the Company	No. of Policy holders	Policy value (Rs.)	Premium (Rs.)	No. of Policy holders (%)	Policy value (%)	Premium (%)
1	Life Insurance Corporation of India (LICI)	400	2,00,00,000	12,00,000	56	57	53
2	Bajaj Allienze Life Insurance Co.Ltd	150	75,00,000	5,25,000	21	20	23
3	TATA AIA Life Insurance	23	10,50,000	75,600	02	03	03

	Co.Ltd						
4	Birla Sun Life Insurance Co.Ltd	25	10,00,000	70,000	02	03	03
5	HDFC Standard Life Insurance Co.Ltd	20	11,00,000	75,000	02	04	03
6	Sahara India Life Insurance Co. Ltd	10	5,00,000	35,000	01	01	02
7	Reliance Life Insurance Co.Ltd	40	12,00,000	84,000	05	04	04
8	Max Life Insurance Co.Ltd	75	30,00,000	2,20,000	11	08	09
Total		718	3,53,50,000	22,84,600	100	100	100

Source: Agents of respective Co.

It shows that as per the number of policyholders Life Insurance Corporation of India (LICI) holds 56% of the total market share where as other private sector holds only 44%.

Reason: As Life Insurance Corporation of India (LICI) is old as well as government sector, the people trusted more than private sectors.

It is found that as per the amount of policy of value Life Insurance Corporation of India (LICI) holds 57% of the total market share where as other private sector holds only 43%.

Reason: As Life Insurance Corporation of India (LICI) is old as well as government sector, the people trusted more than private sectors.

It is reflected that the amount of premium of Life Insurance Corporation of India (LICI) was collected 53% of the total premium collected during the period of 2012-2013. whereas other private sector collected only 46%.of total premium

Reason: Being the Private sector's amount of premium is higher than the Life Insurance Corporation of India (LICI)

Table-4: Statement showing Category-wise policyholders.

Sex/BPLand,J.H	Male	Female	BPL	Job cardholder (J.H)	Total
No. of Population	9,675	9800	925	2600	23,000
No. of	590	109	06	13	718

L.I.P.holders					
Per hundred (100)Person.	6.1	1.1	0.6	0.5	3.1

Source: Anchal office and Agents.

It depicts that only 3.1 person per thousand person hold the policy of life insurance for each hundred persons. Out of which Male are 6.1, Female are 1.1, BPL Category are 0.6 and job cardholder are 0.5, respectively.

Table-5: Statement showing Relationship of Policyholders and Agents.

Relationship	Your close relatives	your friends	your neighborhood	Unknown that is company's employee.	Total
No. of policyholders	16	14	08	02	40
%	40	35	20	05	100
Remaks	Motive and keep trust	Moderately motivate and trust	Less interested	No interested but situation bound to do	

6. Conclusions and Recommendations.

After collection of data and its analysis, the following conclusions can be drawn:

- a) After privatization of life insurance sector the awareness about the life insurance has been spreading rapidly among the rural people.
- b) After privatization of life insurance sector Agents of private sector is more than that of public sector insurance provider namely, Life Insurance Corporation of India (LICI).
- c) In spite of privatization as well as increasing number of agents of private sectors , Life Insurance Corporation of India (LICI) holds lions share of the market due to its being Govt. organization as well as old known organization.
- d) Insurance policies are mainly taken in the name of the male persons. In this context female persons are practically neglected.

The study also makes recommendations in the following lines:

- a) Equity to be maintained for both male and female.
- b) Agent should be more careful for providing regular service for payment of premium as well surrendering the policy when it is in need of the policyholder.
- c) Agents should helps the policyholder for loan arrangement when they need such loan.
- d) Govt. should provide life insurance policy to the BPL and Job cardholder with a minimum premium.

- e) Agents should sell the non-market related products as well.

References

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