A STUDY ON THE AWARENESS LEVEL OF LIC POLICY HOLDERS IN

SALEM DISTRICT

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Introduction

Life Insurance Corporation of India (LIC) is the largest insurance group and investment company in India. It is a state-owned company where the Government of India has 100% stake. It has assets estimated to ₹1560481.84 crore (US$240 billion),\textsuperscript{1} Total Life Fund Rs.1433103.14 crore (as on 31st March 2013), and the number of Policies sold 367.82 lakh in 2012-13. 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, the financial and commercial capital of India, the Life Insurance Corporation of India currently has 8 zonal Offices and 118 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.

The Government of India issued an Ordinance on 19 January 1956 nationalizing the Life Insurance sector and the Life Insurance Corporation came into existence in the same year. The Life Insurance Corporation (LIC) absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies - 245 Indian and foreign insurers in all. In 1972, the General Insurance Business (Nationalization) Act was passed by the Indian Parliament, and consequently, General Insurance business was nationalized with effect from 1 January 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commenced business on January 1, 1973.

The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector. Before that, the industry consisted of only two state insurers: Life Insurers (Life Insurance Corporation of India, LIC) and General Insurers (General
Insurance Corporation of India, GIC). GIC had four subsidiary companies. With effect from December 2000, these subsidiaries have been de-linked from the parent company and were set up as independent insurance companies: Oriental Insurance Company Limited, New India Assurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited.

Investing in LIC is also seen as a mode of saving, as the premium paid for LIC and the return of the sum assured are exempted from tax and it is also a safe mode of saving which does not involve any risk of losing the hard-earned money.

**Insurance History**

Almost 4500 years ago in the ancient land of Babylonia, traders used to bear risk of the caravan trade by giving loans that had to be latter repaid with interest when goods arrived safely. In 2100 B.C., the code of Hammurabi granted legal status to the practice, that perhaps was how insurance made its beginning.

LIFE INSURANCE on the other hand has its origin in ancient Rome, where citizen formed burial clubs that would meet the funeral expenses of its members as well as help survivors as it is known today and owes its existence to 17th century England.

**Importance of Insurance**

Assets are insured, because they are likely to be destroyed or made non-functional through an accident occurrence. Such possible occurrences are called Perils. Fire, floods, breakdowns, lighting, earthquakes, etc., are perils. The damage that these perils cause to the asset is the risk that the asset is exposed to.

The risk only means that there is a possibility of loss or damage. It may or may not happen. There has to be an uncertainty about the risk. Insurance is done against the contingency that it may happen. Insurance is relevant only if there are uncertainties. If there is no uncertainty about occurrence of an event, it cannot be insured against.

**Scope of the study**

Salem district is a district with high potential savers who depend on government avenues to save their hard earned money. Hence this research was carried out with the LIC policy holders in Salem District.

**Importance of the Study**

This study gains importance in the aspect that it focuses on and analyzes the awareness level and satisfaction level of the policyholders with regard to the type of the insurance plans in Life Insurance Corporation in Salem district, since Salem district is an area with potential savers who invest their money in risk-free avenues.

**Statement of the Problem**

The study analyses the awareness level and satisfaction level of LIC policyholders in Salem district.

The major problems of insurance industries are as follows:

- Stiff competition and ruthless/aggressive marketing
- Market behavior can affect solvency of the insurers.
- Change of mindset of all involved in insurance marketing
- Adapting to the new business environment and working with their mediaries
- Pricing benefiting to survival in the market
Reduction of response time
Inspection of all important risks for correct risk analysis

Objectives of the study
1. To study the policy holders’ awareness about the Life Insurance Corporation of India.
2. To analyze the factors that influence policy holders in their preference of insurance companies.
3. To suggest suitable measurements to be taken for the benefit of policy holders and the government of India.

Hypotheses
The following hypotheses are framed and tested in this study:
- There is no significant association between the area of the respondents and their purpose of insurance preferences.
- There is no significant relationship between the age of the respondents and their purpose of LIC preference.
- There is no significant difference between males and females with regard to the purpose of LIC preference.
- There is no significant relationship between the educational qualifications of the respondents and their purpose of LIC preference.
- There is no significant association between the occupation of the respondents and their purpose of LIC preference.
- There is no significant association between the annual income of the respondents and their satisfaction level.

Methodology
The present study has been undertaken in Salem District. The study is based on both primary data and secondary data. The primary data is collected from 160 LIC policy holders by using questionnaire and the secondary data is obtained from books, journals and websites. The collected data were analyzed with the help of Simple Percentage analysis, T-test, F-test and Chi-Square Test.

Review of literature
There are various approaches for analyzing the insurance service marketing. The available literature points out the marketing of various services and hence there is a strong need to study the marketing of insurance services.

Pfeffer (2011) in his study makes an effort to measure the profit potential of the new life insurance companies. The five types of strategies available to new companies are: grandfather strategy; hit and run; captive; brokerage; and traditional strategy. Although the evaluation of profit potential in case of new companies is practically impossible due to various reasons such as paucity of useful published data about the actual performance, it is concluded that out of many entrants, only a few are capable of doing business in the long run.

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Peterson et al (2008)\(^2\) study the effect of marketing innovations in life insurance sector. The results show that flow of innovation is a two-step flow i.e. it flows from innovator firms to large firms in the industry and then to others. The relative advantage of innovating firms is short lived when the offering is unprotectable. Therefore future research on diffusion of competitive innovation among sellers must consider industry characteristics such as “ability to protect innovations”.

Meidan (2007)\(^3\) presents different marketing strategies for insurers, suggesting that the selection of an appropriate strategy should be based on the internal conditions and external forces facing the firm. The two broad categories of insurance marketing strategies exist: growth strategies; and competitive marketing strategies. Due attention should be given to the marketing organisational structure and its departmental responsibilities.

Fitzgerald (2004)\(^4\) develops a utility maximising model of a married couple choosing the amount of life insurance it wants on each of its earners. Social security survivor benefits are found to decrease the demand for life insurance on an earner, while social security benefits that are conditional on the earner’s survival increase the demand. Husband and wife’s future earnings are to increase the demand for insurance on husband’s life.

Zimmerman (2003)\(^5\) in his study concentrates on the insurance industry and on insurance firms’ actions designed to cope with barriers to international trade. He finds out that there are 26 barriers to insurance trade, which are discriminatory against foreign insurers. Respondents feel that barriers can become a critical factor if they create prohibitive costs or difficulties for the firm’s entry. A new market entry decision model has been proposed based on the findings.

Saibaba et al (2002)\(^6\) study the perception and attitude of women towards life insurance policies. Nowadays many insurance companies are trying hard to woo the female population. The study finds that women feel that their lives are not as valuable as their husbands’, they perceive insurance as a tool for risk coverage and not as a tax saving device, there is also lack of knowledge about suitable insurance plans.


Analysis and interpretation of data

Analysis based on area

**H0:** There is no significant association between the area of the respondents and their purpose of LIC preferences.

<table>
<thead>
<tr>
<th>Area of the respondent</th>
<th>Purpose Level</th>
<th>Total</th>
<th>F Value</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Average</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Urban</td>
<td>13 (23.6%)</td>
<td>27 (49.1%)</td>
<td>15 (27.3%)</td>
<td>55</td>
</tr>
<tr>
<td></td>
<td>[31.0%]</td>
<td>[38.0%]</td>
<td>[31.9%]</td>
<td></td>
</tr>
<tr>
<td>Semi-Urban</td>
<td>6 (46.2%)</td>
<td>5 (38.5%)</td>
<td>2 (15.4%)</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>[16.3%]</td>
<td>[7.0%]</td>
<td>[4.3%]</td>
<td></td>
</tr>
<tr>
<td>Rural</td>
<td>23 (25.0%)</td>
<td>39 (42.4%)</td>
<td>30 (32.6%)</td>
<td>92</td>
</tr>
<tr>
<td></td>
<td>[58.4%]</td>
<td>[54.9%]</td>
<td>[63.8%]</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>71</td>
<td>47</td>
<td>160</td>
</tr>
</tbody>
</table>

Source: Primary data

Since P value is more than 0.05 (0.420), the null hypothesis is accepted at 5 percent level of significance. Hence, it is concluded that there is no significant association between the area of the respondents and their purpose of LIC preferences.

### 4.2. Analysis based on age group

**H0:** There is no significant association between the age of the respondents and their purpose of LIC preference.

**One-Way (ANOVA)**

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-6</td>
<td>2</td>
<td>20.00</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-16</td>
<td>2</td>
<td>24.00</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17-26</td>
<td>41</td>
<td>21.12</td>
<td>3.092</td>
<td></td>
<td></td>
</tr>
<tr>
<td>27-36</td>
<td>73</td>
<td>21.63</td>
<td>2.536</td>
<td>0.488</td>
<td>0.744</td>
</tr>
<tr>
<td>36 and Above</td>
<td>42</td>
<td>21.24</td>
<td>5.373</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

Since P value is more than 0.05 (0.744), the null hypothesis is accepted at 5 percent level of significance. Hence, it is concluded that there is no significant association between age group of the respondents and their purpose of LIC preferences.
4.3. Analysis based on gender

**Ho:** There is no significant difference between males and females with regard to the purpose of LIC preferences.

<table>
<thead>
<tr>
<th>Gender</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>T-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>75</td>
<td>21.12</td>
<td>3.973</td>
<td>0.946</td>
<td>0.346</td>
</tr>
<tr>
<td>Female</td>
<td>85</td>
<td>21.66</td>
<td>3.228</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td></td>
<td></td>
<td>0.946</td>
<td>0.346</td>
</tr>
</tbody>
</table>

Source: Primary Data

Since P value is more than 0.05 (0.346), the null hypothesis is accepted at 5 percent level of significance. Hence, it is concluded that there is no significant difference between males and females with regard to the purpose of LIC preference.

4.4. Analysis based on educational qualification

**Ho:** There is no significant relationship between the educational qualifications of the respondents and their purpose of LIC preference.

<table>
<thead>
<tr>
<th>Educational qualification</th>
<th>N</th>
<th>Mean</th>
<th>S.D</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illiterate</td>
<td>12</td>
<td>23.33</td>
<td>6.485</td>
<td></td>
<td></td>
</tr>
<tr>
<td>School level</td>
<td>35</td>
<td>22.46</td>
<td>2.801</td>
<td>4.619</td>
<td>0.004**</td>
</tr>
<tr>
<td>Graduate</td>
<td>35</td>
<td>19.86</td>
<td>2.415</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post-Graduate</td>
<td>78</td>
<td>3.530</td>
<td>3.530</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data

**Note:** 1. ** Denotes significance at 1% level
2. Different alphabet between educational qualifications. Denotes significance at 1% level using Duncan Multiple Range Test.

Since P value is less than 0.01 (0.004), the null hypothesis is rejected at 1% level of significance. Hence it is concluded that there is no significant association between the educational qualification of the respondents and their purpose of LIC preference.

4.5. Analysis based on occupational status

**Ho:** There is no significant relationship between the occupation of the respondent and their purpose of LIC preference.
4.8. **Analysis based on annual income**

**Ho:** There is no significant relationship between the annual incomes of the LIC policy holders and their satisfaction level.

<table>
<thead>
<tr>
<th>Annual Income</th>
<th>N</th>
<th>Mean</th>
<th>S.D.</th>
<th>F-value</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below Rs.1,00,000</td>
<td>47</td>
<td>35.23</td>
<td>3.272</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,00,001-2,00,000</td>
<td>78</td>
<td>36.92</td>
<td>3.074</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,00,001-3,00,000</td>
<td>15</td>
<td>38.27</td>
<td>1.944</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above3,00,000</td>
<td>20</td>
<td>36.50</td>
<td>1.701</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td></td>
<td></td>
<td>5.330</td>
<td>0.002**</td>
</tr>
</tbody>
</table>

Source: Primary data

Note: ** denotes significant at 1% level.

Since P value is less than 0.01 (0.002), the null hypothesis is rejected at 1% level of significance. Hence, it is concluded that there is significant relationship between the income level of the respondents and their satisfaction level.

4.9 (a) **Analysis based on the type of policy preferred**

<table>
<thead>
<tr>
<th>Type of Policy Preferences</th>
<th>Sum Assured</th>
<th>Percent</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Endowment</td>
<td>65</td>
<td>16.79</td>
<td>1</td>
</tr>
<tr>
<td>2. Whole Life</td>
<td>33</td>
<td>8.52</td>
<td>5</td>
</tr>
<tr>
<td>3. Child endowment</td>
<td>65</td>
<td>16.79</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Primary data

Note: ** denotes significant at 1% level.
4. Limited payment 16 4.13 8
5. Joint Life 33 8.52 5
6. Convertible life 38 9.81 2
7. Anticipated policy 34 8.78 6
8. Annuity policy 35 9.04 4
9. Sinking fund policy 31 8.01 7
10. Others 37 9.56 3

Source: Primary data
The above table shows that 16.79 percent of the respondents select endowment policy, another 16.79 choose child endowment, and 4.13 percent of the respondents select limited payment policy.

### 4.12 Analysis based on the influencing factors to prefer LIC

**Classification of the respondents based on the influencing factors to prefer LIC**

<table>
<thead>
<tr>
<th>Influence to prefer LIC</th>
<th>N</th>
<th>Percent</th>
<th>Valid percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents</td>
<td>65</td>
<td>40.6</td>
<td>40.6</td>
<td>40.6</td>
</tr>
<tr>
<td>Advertisements</td>
<td>23</td>
<td>14.4</td>
<td>14.4</td>
<td>55.0</td>
</tr>
<tr>
<td>Relatives</td>
<td>37</td>
<td>23.1</td>
<td>23.1</td>
<td>78.1</td>
</tr>
<tr>
<td>Friends</td>
<td>33</td>
<td>20.6</td>
<td>20.6</td>
<td>98.8</td>
</tr>
<tr>
<td>Own</td>
<td>2</td>
<td>1.3</td>
<td>1.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>160</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary data
The above table shows that 40.6 percent of the respondents are influenced by the agents, 23.1 percent of the respondents are influenced by their relatives, and 20.6 percent of the respondents are influenced by their friends.

### 5.1 Findings

- 57.5 percent of the respondents are living in rural areas, 34.4 percent of the respondents are living in urban areas, and 8.1 percent of the respondents are living in semi-urban areas. There is no significant association between the area of the respondents and the purpose of insurance preferences.
- 45.6 percent of the respondents are 27-36 and 26.3 percent of the respondents within the age group of 36 and above and 25.6 percent of the respondents are 17-
26 and 1.3 of the respondents are 7-16 and rest of 1.3 percent of the respondents are within the age group of 0-6. There is no significant association between the age of the respondents and the purpose of LIC preference.

- 53.1 percent of the respondents are female and rest of 46.9 percent of the respondents are male. It shows that majority of the respondents are female. There is no significant difference between males and females with regard to purpose of LIC preferences.
- 48.8 percent of the respondents are post graduate and 21.9 percent of the respondents are school level and 21.9 percent of the respondents are school level and rest of 7.5 percent of the respondents are illiterate. There is no significant association between the educational qualifications and the purpose of LIC preferences.
- 30.0 percent of the respondents are government employee and 3.8 percent of the respondents are engaged in agriculture. There is no significant relationship between occupation and the purpose of LIC preferences.
- 48.8 percent of the respondents are income level Rs. 1,00,001 - 2,00,000 and 9.4 percent of the respondents are income level Rs. 2,00,001 - 3,00,000. There is no significant difference between annual income with regard to satisfaction level.
- 40.6 percent of the respondents are influenced by the agents and 23.1 percent of the respondents are influenced by their relatives and 20.6 percent of the respondents are influenced by their friends.

5.2 Suggestions
During the study it is found that policy holders prefer banking and insurance together. They prefer private insurance sectors because they provide them the banking facility and a lot of value added services. So it will be beneficial both to the common public and the LIC if it offers banking facility to the policy holders and the common public.

5.3 Scope for further Research
Further research could be carried out focusing on the satisfaction level of policyholders and agents, and the marketing level of insurance sector. A study could be made comparing the LIC with other life insurance organizations.

5.4 Conclusion
This study has analyzed the data collected from the policy holders and has brought out the expectations of the policy holders and their preferences. It has also offered suggestions that can be implemented for the benefit of the common public and the government.

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