Factors affecting policy holders' decision: A study of Life Insurance Corporation of India

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Abstract- **Life insurance is one of the most important financial tools an individual can use to protect themselves and their family. This paper is an attempt to identify the factors influencing purchase decision of life insurance policies of Life insurance corporation of India while measuring their satisfaction towards it. A questionnaire survey on a limited group of policyholders in Guwahati reinforced that security, risk, return, tax benefits among others majorly influence the policyholders' decision of purchase and their satisfaction level towards the same.**

Keywords- **Life insurance, factors, policyholders, satisfaction.**

I. Introduction

The life and property of an individual are surrounded by the risk of death or destruction. These risks may result in financial losses. Insurance is a prudent way to transfer such risks to an insurance company. An entity which provides insurance is known as an insurer, A person or entity who buys insurance is known as a policyholder, while a person or entity covered under the policy is called an insured. In insurance, there are certain basic principles that should be upheld i.e., insurable interest, minimal risk, good faith and law of large numbers. Life insurance offers many benefits, which is why it is considered to be one of the most important financial tools for an individual, some of the important benefits are tax benefits, guarantee of fix returns, risk mitigation and coverage, provision for loan and health expense coverage. The Life Insurance Organization of India (LIC), a statutory corporation having a monopoly in the life insurance industry among other things, conducts life insurance operations in India with the goals of insuring the risk of the insured's life and encouraging savings. The company initially began doing business with two types of policies: whole life and endowment. Later, the LIC introduced numerous additional types of life insurance plans with the goal of enticing more investors to insure their lives and providing new benefits to the insured, such as money-back policies, double benefits, triple benefits, pension plans, unit-linked insurance plans, and so forth. The LIC evolved into a marketplace for life insurance products, offering a variety of policies to investors. By providing income tax benefits to the savings of policy holders in life insurance policies, the Government of India provided support to the life insurance business of the LIC. This allowed policy holders to pay premiums through payroll deductions and pay no income tax on the proceeds from their life insurance policies. The LIC provides a bonus to the sum assured beginning with the first year of the insurance in addition to covering the insured's risk.

The factors that most significantly affect Indian customers' purchase decisions are emotions and reason. Consequently, the value of life insurance services in terms of minimising hazard and uncertainty. Life insurance is an essential component of any market economy because it offers the chance to accumulate sizable quantities of money over long periods of time. Therefore, it will be interesting to examine the preference of policy holders towards life policy of LIC of India at Guwahati city. A systematic review of literature highlights the various important aspects and issues related to preference of life insurance policyholders. Kumar (2003) has researched how policyholders use the LIC and analysed the numerous elements that affect the level of use. He came to the conclusion that the company made its schemes appealing with good returning capacity. Prasad & Chakraborty (2017) have examined LIC's performance and noted that LIC has gradually been distributing less of its income to policyholders. In 1987, it gave policyholders various rewards equal to 31.5% of its entire income. Namasivayam & Ganesan (2018) pointed that the biggest obstacle to receiving premiums is time, and the tight structure of instalments. In the end, they came to the conclusion that the state-owned monopoly had excellent financial growth both before and after the industry underwent change. Rajendran & Natarajan (2009) claims in their paper that a decade has passed since the insurance market was privatised and that a variety of cutting-edge tailored products are now readily available. Yadav & Mohania (2013) in their article, claimed that the process of periodic regulatory reforms and modifications had led to increasingly thorough and user-friendly consumer insurance contracts. Qureshi & Bhat (2015) in their article The Life Insurance Corporation of India, which once held a monopoly, is first described as a company. To be effective in this endeavour, LIC must overcome the challenge of being attentive to these challenges. Bala & Sandhu (2011) highlights the importance of regularly monitoring client satisfaction in the insurance industry and contends that it is one of the most useful instruments for the job. The article also discusses a few practises and experiences of insurance companies like Mutual of Omaha, MetLife, and similar ones. Jagannath (2012) in his research, he conducts an in-depth analysis of the private and public stakeholders in the insurance industry and the cutting-edge distribution strategies being used by the private and public sector insurance companies. These strategies include the hiring of village extension workers by Birla Sun Life. Kadam (2013) investigated that the clients value service quality more than a company's reputation. Both LIC and PLIC policyholders prefer to maintain a close bond with these businesses over time. Ranjan & Khalil (2008) investigated that clients favour LIC because of its great reliability. Despite the fact that there are more competitors in the industry, the LIC has strongly created its own platform and brand identity. Mohan

(2010) observed that policyholders in both urban and rural areas rely substantially on insurance agents for their needs. LIC may accomplish its goal of spreading insurance more widely. Singhal (2015) found that most respondents had a high level of satisfaction with the way new products were explained. It was shown that policyholders' satisfaction with questions being answered and with appreciating the importance of maturity was moderate. Das & Gope (2012) stressed that many people don't make enough money to support themselves with their income. The need for insurance is so widely unknown.

II.   Objectives & Methodology

This paper focuses on two aspects namely, (i) identifying the factors influencing purchase decisions of policyholders in life policies of LIC of India and (ii) measuring the level of satisfaction from policyholders' point of view. The study was conducted in Guwahati city. Both primary and secondary data was used for data collection.in case of primary data, structured questionnaires were employed while internet, books, journals, art and so on were the secondary data sources. The sample size of the study is 31 and its design is Convenience sampling. Apart from primary and secondary sources, various tools of data analysis like Simple percentage analysis, pie charts and bar diagram were also used in the study. The sample of 31 respondents makes it difficult to generalize the results. The data were obtained through questionnaire and it has its own limitations. Some of the respondents might not have presented the accurate data.

III.   Analysis & Results

Table 1 presents the demographic profile of the respondents. It was seen that majority of the respondents were male (67.7%) and fall under the age group of 25-31 (38.7%). More than 50% i.e., 51.6% of the respondents are married with an annual income of 3lakhs-5 lakhs (41.9%). As per the data, maximum respondents were graduated (41.9%) and into Business (41.9%).

Table 2 indicates that majority of the respondents (81%) are most influenced with security and assurance followed by (70%) are most influenced with risk coverage. (32%) of the respondents are neutral with retirement plans. majority of respondents (68%) are most influenced by high rate of return Tax benefits is also one of the most influenced factors choose by (52%) of respondents. (32%) of the respondents are not influenced by det issue and rest (77%) are most influenced by agency service.

Table 3 depicts that majority of the respondents (55%) are satisfied with security and assurance. Followed by (45%) are highly satisfied with tax benefits. (52%) of respondents are satisfied with risk coverage. Retirement plans and debt issue show that (55%) and (52%) of the respondents respectively are neutral. Rest (52%) and (45%) are satisfied with high return and agency service respectively.

Table 1 Demographic Profile

Variable	Options	No. of respondents	Percentage
Gender	Male	21	67.7
	Female	10	32.3
Age	18- 24	5	16.12
	25- 31	12	38.7
	32- 39	6	19.35
	40- 46	4	12.9
	47- 53	0	0
	54- 60	4	12.9
Marital status	Married	16	51.6%
	Unmarried	15	48.4%
Qualification	UG	6	19.4%
	PG	3	9.7%
	Graduated	13	41.9%
	Professional	9	29%
	Student	3	9.7
	Service	9	29

Occupation			
	Business	13	41.9
	Professional	3	9.7
	Retired	1	3.2
	Self employed	2	6.5
Annual Income	Up to 3lakhs	9	29
	3lakhs to 5 lakhs	13	41.9
	5lakhs to 10 lakhs	4	12.9
	Above 10 lakhs	5	16.2

Source: Field Survey

Table 2 Factors affecting while choosing a life insurance policy *in percentage*

Options	Most influential	Influential	Neutral	Not influential	Least influential
Security & Assurance	81	19	0	0	0
Risk Coverage	70	30	0	0	0
Retirement plans	31	6	32	6	25
High return	68	16	16	0	0
Tax benefits	52	26	19	3	0
Debt issue	23	6	29	10	32
Agency service	77	20	3	0	0
Others	0	0	0	0	0

Source: Field Survey

Table 3 Satisfaction level towards life insurance policies of LIC of India *in percentage*

Option	Highly satisfied	Satisfied	Neutral	Not satisfied	Highly dissatisfied
Security & Assurance	39	55	6	0	0
Risk Coverage	42	52	6	0	0
Retirement plans	16	13	55	6	10
High return	30	52	15	3	0
Tax benefits	45	39	16	0	0
Debt issue	10	10	52	6	22
Agency service	32	45	23	0	0
Others	0	0	0	0	0

Source: Field Survey

IV.   Conclusion

It can be observed from the that majority of the respondents (81%) of the policyholders are mostly influenced with security& assurance and (32%) least influenced with debt issue while the minimum no. of policyholders is (50%) neutral in case of retirement plans and tax benefit. Even it can be observed the majority of the policyholders is highly satisfied with (55%) security& assurance and (52%) risk coverage whereas highly dissatisfied with (52%) debt issue and are neutral with retirement plans. LIC of India has been providing a variety of products to its policyholders. It has been shown that many policyholders have purchased multiple policies. The extent of utilization of LIC policies also differs from person to person. Some people place premium on financial value and significant investment returns. However, these advantages come with higher risks. There are rumblings about the services of the Indian Life Insurance Corporation of India (LIC) in various places. A study has been conducted to examine how policyholders

in the study region perceive and prefer the insurance products provided by the LIC. There are many factors which affect customer's investment decision in life insurance. The study concluded that demographic factors of the customers play a major role in deciding the purchase of life insurance policies.

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