



A STUDY OF CUSTOMERS' PERCEPTION TOWARDS MICRO INSURANCE PRODUCTS AND SERVICES OF LIC

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ABSTRACT :

The basic objective of this study is to analyze the perception or opinion of Insured on the services provided by the insurers, agents and surveyors in Tamilnadu. Study shows 71.57 percent respondents agreed insurance creates awareness among people. Similarly, 73.53 percent respondents agreed it also provides social security. Regarding interest rates on loan, 57.43 percent respondents are indifferent on their opinion that whether the rate of interest on loan is cheaper or not but 30.69 percent are agreed that interest on loan is cheaper. Sixty-six point six seven percent respondents are neutral that payment of loan installment is easier or not but 22.22 percent opined installment payment is easier in insurance companies. In the context of satisfactoriness of insurance services, 50.49 percent respondents agreed that services of insurance companies are satisfactory. Out of 92 respondents, 71.74 percent argued that they are satisfied with the services of insurance agents and 28.26 percent are not satisfied. Of the total respondents, 35.89 percent agreed on the performance of insurance surveyors is satisfactory and free of bias. But 33.33 percent respondents on the other are neutral about the performance and behavior of surveyors. On the whole, the above facts imply that the perception of insured's towards insurance services is satisfactory in Tamilnadu.



KEYWORDS : Micro finance, LIC, Risk, Premium, Perception.

INTRODUCTION:

Micro insurance is generally, but inaccurately, referred to as a new concept. It first appeared as a new financial service within microfinance and then developed into a sector of its own. Micro insurance in India has broadly developed as a sub sector of the insurance industry. India is among the few countries to draft and implement specific micro insurance regulations. However, rural and social sector insurance and micro insurance have always been considered similar by the regulator IRDA. Micro insurance refers to the insurance of the low-income people. It is very different from the other types of the insurance available in the urban areas and it is a low value product. It requires different design and different Distribution strategies. Insurance is emerging as a necessity for the low income people also. Recent developments in India, as elsewhere, have shown that not only can the poor make small periodic contributions that can go towards insuring them against risks but also that the risks they face (such as those of illness, accident and injury, life, loss of property etc.) are eminently insurable as these risks are mostly independent or idiosyncratic. Micro

insurance is generally, but inaccurately, referred to as a new concept. It first appeared as a new financial service within microfinance and then developed into a sector of its own. Micro insurance in India has broadly developed as a sub sector of the insurance industry. India is among the few countries to draft and implement specific micro insurance regulations. Micro insurance, like regular insurance, may be offered for a wide variety of risks. These include both health risks (illness, injury, or death) and property risks (damage or loss). A wide variety of micro insurance products exist to address these risks, including crop insurance, livestock/cattle insurance, insurance for theft or fire, health insurance, term life insurance, death insurance, disability insurance, insurance for natural disasters, etc. Micro insurance is recognized as a useful tool in economic development. The most commonly available micro insurance product is credit life insurance. Typically, it is a mandatory product for which the MFIs (Micro Finance Institution) or its insurance partner absorbs the risk of default due to death from its clients. Life micro insurance often just covers the loan amount, but can also include funeral benefits for the policyholder, and sometimes for family members as well, especially spouses and children for lower benefit amounts. Few insurers offer products that assist in covering the period after the death of a breadwinner. There are also numerous informal societies and other local efforts to assist people financially and socially in their time of loss. The ultimate goal of micro insurance is to enable the poor to mitigate their material risks through the insurance market in order to reduce vulnerability, thereby increasing their welfare. After passing the Micro insurance regulations by IRDA in the year 2005, all the insurance companies (both life and non life) are started to introduce the MI products. LIC started micro insurance initiative immediately after the IRDA micro insurance regulations were issued by IRDA in November, 2005. It is a pioneer in MI (life) segment from the year 2006. It continues to be the dominant player in expanding not only conventional life insurance products but also micro life products too. Micro insurance efforts of the corporation are in addition to the sale of conventional life insurance products and social security (Government aided) schemes, which cater to the needs of the under privileged section of the society. Thus MI policies of LIC has provided risk cover protection to most vulnerable people through 4.5 million MI policies of which more than 97% have been sold in rural areas. These policies have been sold through a distribution channel comprising NGOs, SHGs, MFIs, Non Profit Organization, Corporate Agents, Brokers, and Non Profit Societies including companies registered under section 25 of companies act. They were appointed as MI agents by LIC. Thus a total separate distribution network has been set up to take care of the small ticket policies in the most optimum manner. The MI policies vertical channel has total strength of 8,204 MI agents with 55,056 'specified persons' trained by LIC on 31st July 2010.

Forms of insurance can be divided from two angles -business point of view and risk point of view, Forms of insurance. Life insurance is different from other insurance in the sense that the subject matter of insurance is life of human being. The insurer will pay the fixed amount of insurance at the time of death or at the expiry of certain period. At present, life insurance enjoys maximum scope because the life is the most important property of an individual. Each and every person requires the insurance. This insurance provides protection to the family at the premature death or gives adequate amount at the old age when earning capacities are reduced. Under life insurance a payment is made at the accident. It is not only a protection but is a sort of investment because a certain sum is returnable to the insured at the death or at the expiry of a period. General insurance: The general insurance includes property insurance, liability insurance and other forms of insurance. Fire and marine insurances are strictly called property insurance. Motor, theft, fidelity and machine insurances include the extent of liability insurance to a certain extent. The strictest form of liability insurance is fidelity insurance, whereby the insurer compensates the loss to the insured when he is under liability of payment to the third party.

REVIEW OF LITERATURE

Giesbert and Steiner (2012) in their study on "Perceptions of (Micro) Insurance in Southern Ghana : The Role of Information and Peer Effects" investigated people's understandings and perceptions of (micro) insurance. Specifically, the study is relating to the assessment and the evaluation of a particular micro insurance policy, as well as attitudes to insurance in general among groups of both insured and non-insured

individuals in southern Ghana. The analysis is based on qualitative data obtained from focus group discussions conducted in two small towns namely, Brakwa and Nyakrom, Ghana. The focus groups included both micro insured and non-micro insured participants, the former having purchased a micro life insurance product provided by the Ghanaian Gemini Life Insurance Company (GLICO). The research is based on a content analysis of the verbal communication in the focus group discussions. The shortfall of the analysis is that focus group participants are clearly not representative of the population at large in southern Ghana. The major findings of the study pointed to a severe lack of solid information among (potential) micro insurance policyholders and the experiences or opinions of peers – including other focus group participants as well as community members outside of these groups – were a critical factor in shaping individuals' perceptions of insurance.

Arvind and Renukumar (2008) in their study "Low Income Households and Micro Insurance: Understanding the need and Management Challenges" aims at understanding the needs for insurance and the current coping mechanisms at the people's level. It also examines their attitude towards micro insurance programmes designed and delivered through Micro Finance Institutions (MFIs). It also studies the micro insurance products currently offered in the central Tamil Nadu region, and the management and implementation challenges faced by the MFIs in delivering micro insurance. To understand the client demand, around ninety households were surveyed across the three districts in central Tamil Nadu namely Trichy, Perambaloor and Tanjore. The survey accounted for clients of two MFIs namely SHEPHERD and ASA. It was observed that households (both MFI clients and Non MFI clients) had an access to and had taken regular insurance policies through the insurance agency network. Their associations with MFIs show well in their understanding and need for insurance. Thus the study reveals the requirement for more education about micro insurance at the people's level, the necessity for more bargaining power and insurance training at the MFI's level is the need for a social perspective at the insurance company's level.

D Sidhardha, M Sumanth (2017), in their study found that the majority of the respondents like to invest in short term policies and among the respondents the majority of the customers highlighted LIC as one of the main insurance company in which they are invested. And the majority of the customers have awareness on details of the policy they invest or buy.

Mr. Sandeep Deshmukh1 & Dr. Rajiv Jadhao (2017), conferred that for all consumers the reason for taking insurance is not equal. Each one of them have different perception and in that saving, tax shelter and wide risk coverage are the most important reasons.

Binod Kumar Singh (2010), also highlighted that the majority of the consumers prefer life insurance for the benefit of wide risk coverage and tax shelter. And most of the consumers are accessing insurance products like vehicle insurance, health insurance and term cover insurance and sum assured life insurance less than rupees ten lakhs. And most of the banks are also entered in the insurance market with attractive insurance products

STATEMENT OF PROBLEM:

The problem of the study is to know the awareness level of consumers on choosing insurance products especially endowment plan policies from Life Insurance Corporation of India. The past studies covered wide area in the insurance sector. And found that the consumers have different prospective at the time of choosing investment in insurance products.

RESEARCH METHODS:

This study used a Simple Random Sampling technique for this study. Primary data and secondary data are used to collect facts and figures. The Primary data is collected through a questionnaire intended for the executives. Secondary data collected through company published Magazines, News papers, Handouts, company Website Annual reports and etc. The sample size used for this study is 100 respondents.

DATA ANALYSIS AND INTERPRETATION:

Respondent profile: The age groups of respondents are divided as below 16, 16-25, 26-35, and 36-45 and above 45 with their number of 7, 23, 38, 28 and 8 respectively. Out of 104 respondents, 46 are master degree holders and 29 are bachelors' and no PhD respondents found during the study. This reveals that the people of masters and bachelor degree holders are more interested in insurance. The majority of the respondents are of employees with 57 in number followed by students 19 in number and businessmen are 14. The married respondents are of higher than that of unmarried one. Out of 104 respondents, married are 69 (i.e. 66.35 percent) and unmarried 35 (i.e. 33.65 percent). Based on the opinion of respondents, 52 respondents are life insurance Insured, 29 are of both types and 23 are of only non-life Insured. This reveals that peoples are more interested in life insurance and its services.

Who motivates to insurance: Motivation is the process of inspiring people to act something with the aim of achieving stated objectives. In this study, respondents were asked about who motivates them in doing insurance and selling their insurance policies that are as follows:

Table 1: Parties motivating respondents

Motivators	No. of respondents	Percent
Friends	22	21.15
Neighbors	11	10.58
Media	13	12.50
Insurance agent	49	47.12
Insurance company	3	2.88
Self-study	6	5.77
Total	104	100.00

Table 1 shows that insurance agents are the main motivators in selling insurance policies in Tamilnadu. It occupies 47.12 percent and followed by friends of 21.15 percent. Motivation by insurance companies and self-study of policy-holders are the least. So, insurance agents, friends, media and neighbors are the major parties involved in motivating and issuing insurance policies in Tamilnadu valley.

Reasons for inspiring to do insurance: There are many reasons for inspiring insurance to the respondents. They are described categorically based on ranking of the reasons which are as follows:

Table 2: Reasons for inspiring insurance

Ranking	Reasons									
	Reduce risk		Saving		Bonus		EHM child		Tax rebate	
	No.	%	No.	%	No.	%	No.	%	No.	%
I	66	68.04	28	30.11	Nil	00.00	5	6.02	3	3.61
II	22	22.68	47	50.52	9	10.71	6	7.23	7	8.43
III	6	6.19	14	15.05	42	50.00	10	12.05	11	13.25
IV	2	2.06	3	3.23	19	22.62	50	60.24	8	9.64
V	1	1.03	1	1.08	14	16.67	12	14.46	54	65.06
Total	97	100.0	93	100.0	84	100.0	83	100.0	83	100.0

Note: Some respondents do not respond at all and some at part

Table 2 presents that the main reason for doing insurance is to reduce risk of loss as it is ranked first with 68.04 percent out of total respondents. It is followed by the category savings (50.52 percent) as second rank, bonus (50.00 percent) third rank, education, health and marriage (EHM) of children (60.24 percent) fourth rank and tax rebate (65.06 percent) fifth rank.

Indemnification at maturity or loss: Insurance indemnified at the event of loss and insured sum at maturity in case of life insurance. During study, the respondents were asked whether insurance companies indemnify easily at the event of loss and at maturity the insured sum. Their opinion on this question is as follows:

Table 3: Opinion on indemnification at maturity or loss

Opinion	No. of respondents	Percent
Yes	61	63.54
No	35	36.46
Total	96	100.00

Note: Eight respondents do not respond at all on the question

The above table clearly reveals that 61 respondents (63.54 percent) out of 96 opined that insurance companies indemnify loss at the event of loss in time. Only 35 respondents (36.46 percent) opined that they do not timely compensate the loss at accident or insured sum at maturity.

SUGGESTIONS:

- It is recommended that LIC should follow the restructuring of its marketing policies vigorously to tap the market potentials of uninsured low income population in order to keep pace with the competition.
- Otherwise it will lose its MI market share and the private players may catch up the MI market in India. Based on the study is recommended to LIC to come up with multi-benefit MI policies that fulfil the needs of different types of low income people in both rural and urban areas.
- Generally in India, people's perception on insurance is saving aspect rather than the security aspect. So MI products design must be based on that perception.
- The company has to introduce more premium payment points and allow the premium points to collect the MI policy premium from the MI policy holders directly.
- Some other strategies like opening premium counters in the public places where there is density of LIC MI policy holders. Local community based organizations could organize premium collection Day / Mela as they have better access to the local people.

CONCLUSION:

Micro insurance sector will soon cease to be influenced by low income segment of the society. India has experimented a lot with micro insurance and the sector is still driven by supply lead interventions. Micro insurance not only provides a platform for LIC to enlarge its frontiers and increase their market share (increased premium), it also provides the opportunity to enhance insurance penetration and insurance density amongst the low income population. LIC MI offers a good platform in creating additional employments .i.e. agents, specialists etc.

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