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## **MODE OF PAYMENT OF LIFE INSURANCE POLICY AND OPINION ON VARIOUS TYPES OF LIFE INSURANCE POLICIES**

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### **ABSTRACT**

Insurance currently plays a crucial role in both social and economic aspects of financial planning and has become a crucial component of one's everyday life. The family's financial security has surpassed all other considerations in importance. Because of the rising expense of living, insurance has become a necessary element that cannot be ignored at all. In this situation, insurance is crucial to protect the family's interests in the event that the family's single provider is involved in an unfortunate incident. The hopes and dreams of the family members must be preserved, and it is important to make sure that they do not wane due to a lack of resources. Insurance is important in everyone's life, but it is especially important for the safety, protection, and security of the family. In truth, every citizen of a civilized country is born with the right to insurance. But in the majority of developing countries, people must purchase the necessary coverage on their own by paying the necessary amount in order to protect their own lives and the lives of those close to them.

**KEY WORDS: PAYMENT, LIFE INSURANCE, POLICY, OPINION.**

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### **INTRODUCTION**

Insurance is important in everyone's life, but it is especially important for the safety, protection, and security of the family. In truth, every citizen of a civilized country is born with the right to insurance. But in the majority of developing countries, people must purchase the necessary coverage on their own by paying the necessary amount in order to protect their own lives and the lives of those close to them.



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According to the union budget for 2017, the insurance industry in India is expanding at a rate of 15-20%, which is proof of the enormous potential underlying in this sector. The industry is anticipated to close massive deals of Rs. 450 billion (\$10 billion) in the upcoming years. The banking and insurance sectors have a combined 7% contribution to the nation's GDP, according to government sources. In actuality, 8% of the country's total funds are currently available through LIC. Only 20% of the population is currently insured, and many more are either uninsured or only partially protected, giving insurance firms the opportunity to cover their lives as well. According to the human life value (HLV), a person should have insurance coverage equal to seven times their annual salary. This coverage is sufficient for his or her insurance coverage at the time. According to the occupation and the associated occupational dangers, different premium rates have been allocated to the mortality table/rates. There are many policies offered by businesses in the life and non-life insurance categories, but the penetration levels are quite depressing and fall short of the global averages, indicating that the market has enormous potential. The year 1999 saw a lot of change and genuine advancement in the insurance industry. The service sector received the much-needed competition and technology when new private players entered the market after a decade of dominance by public sector insurance. In 1999, with the passage of the insurance bill, the IRDA—the insurance regulating authority—was established.

The standing committee led by Sri. Muralideora proposed that foreign equity participation in the insurance sector be limited to 26% only. At the moment, 49% of the sector's equity is owned by foreigners. Foreign investments totaling Rs. 8.7 billion have been made in the industry since the reform in 1999, and 32 private companies, including HDFC Life Insurance and SBI Life Insurance, have been given licenses and are currently operating successfully. Innovative products, cutting-edge policyholder services, clever and effective marketing, and aggressive distribution tactics used by these corporations have ensured that more consumers are purchasing insurance products as one of their numerous investment options rather than only as a tax-saving measure.

According to the Indian Insurance Market (2016) study, there are currently 53 insurance companies operating in the insurance sector, 24 of which are engaged in the life insurance sector and the remaining 29 in the non-life insurance sector. Life Insurance Corporation of India (LIC) is one of the major players in the life insurance industry. The other companies,



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including HDFC Standard Life, SBI Life, ICICI Life, Bajaj Allianz, Aviva, and Reliance Life, are all private sector companies. The public sector firms National Insurance, United Insurance, New India Assurance, Oriental Insurance, and others from the private sector, including ICICI Lombard, Iffco Tokio, Reliance General Insurance, and Royal Sundaram, are the non-life players. These are a select few non-life companies that have focused on the health, personal injury, and travel insurance industries. Max Bupa, Star Health, Cholamandalam, and Religare Health Care are among them. Two other specialized insurance firms, the Export Credit Guarantee Corporation of India, which provides credit insurance, and the Agriculture Insurance Company, Ltd., which provides insurance, are both part of the public sector. Insurance is set to gain attention and appears to be the next area for investment given all these opportunities and promising signs<sup>4</sup>. It appears that the industry is bound for greener pastures in the near future at the current growth rates of 15-20% annually.

Compared to the international markets, the insurance situation in India now appears to be rather bleak. Only 20% of the population has life insurance, and those who do have it are underinsured, which is why new insurance companies see it as an opportunity to enter untapped areas. The non-life insurance coverage also falls short of worldwide norms. The pension arrangements and civic oversight that affect 80% of the population are inadequate. In the current setting, the value of human life cannot be properly assessed; therefore, a lot of work must be done using the established ground principles. A functioning insurance industry can generate much-needed funds for the development of the economy, clear the way for infrastructure development, and at the same time ensure the risk carrying capacity. However, providing insurance coverage to the 130 crore population is not an easy feat. According to estimates, the sector would entail an investment of at least \$1 trillion USD. According to author Meenu's writings in the Insurance Act of 1938 and the IRDA Act of 1999, banking and insurance is a very significant problem in which the Central Government is involved. Two distinct administrative laws apply to the topic of insurance<sup>5</sup>. The Insurance Act of 1938 and the IRDA Act of 1999 both offer the essential framework, legislation, and bylaws that regulate the operation of the whole business. Over the past 200 years, the insurance industry in India has undergone a dramatic transformation. From an open, competitive market to one that was nationalized and then liberalized, the industry now offers the much-needed opportunity for investors on a national and worldwide scale. India is the fifth-largest market



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for life insurance in the world, and it is expanding at a 32–34% annual rate. According to a report published in the rising Insurance market in India, this is primarily due to the arrival of foreign players as well as the national level in the developed markets, which has made it possible for our country India to attract investments (2008- 2011).

## **CONCEPT OF INSURANCE**

The name "Bima" is derived from the Persian word "Bim," which means "fear," and "Bima," which means "cost expended to remove dread." Arabic Dictionary Human cultures have always looked for solutions to lessen the shocks of existence. Our forebears understood that no one could succeed on their own; only by combining the resources of many could the unfortunate few be helped. The threats to a man's life and possessions might be of many different types and severity levels. Examples of losses that may be beyond an individual's ability to bear include the untimely death of the family's primary provider, an earthquake, a fire, a break-in, and so on. There are various financial options available to reduce the risk, but insurance is the most crucial and effective one. It shields a man from risk and ambiguity in both his personal and professional lives.

## **RESEARCH METHODOLOGY**

### **Data Sources**

The data will be obtained from both primary and secondary sources. In first explorative stage of the study, the secondary data will be collected in the form of a review of literature to familiarize the researcher with the various aspects of the study from different sources like journals, magazines, books, internet and newspapers. The primary data needed for the study will collect by using structured questionnaire.

### **Research Approach**

The relevant data were collected by the researcher from the customers of public and private sector insurance companies in Delhi/NCR.. And four insurance service providing companies - LIC in Public Sector and ICICI Prudential Life Insurance Company Limited, SBI, and Bajaj



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Allianz Life Insurance Company Limited - were selected for this study on the basis of market share in Indian life insurance market in India.

### **Sampling Unit**

The sample unit consists of customers of public and private sector insurance companies of Delhi/NCR. The respondents are in the age group of 21-60 years including both males and females.

### **Size of Sample**

Considering the time and cost, it has been decided by the researcher to contact 400 respondents. The total sample size is 400 out of which 100 samples are from public sector insurance company, 300 samples are from private sector insurance companies of ICICI Prudential Life Insurance Company Limited, SBI Life Insurance Company Limited and Bajaj Allianz Life Insurance Company Limited.

## **RESULTS AND DISCUSSION**

The primary purpose of insurance is to divide up losses that would have fallen on a single person among a big group of people through a cooperative process. When a certain danger materializes, everyone who is exposed to it works together to share the resulting loss. It should be highlighted that insurance only serves to lessen loss; it does not eliminate risk. Both a financial and a legal definition of the term "insurance" are possible. The system that redistributes the expense of unforeseen losses is the emphasis of the financial definition. In other words, a tiny premium payment is collected from everyone who is exposed and distributed to those who have lost anything. The legal definition concentrates on a contractual arrangement wherein one party consents to make up losses suffered by another party. The legal definition refers to the legally enforceable contract that outlines the legal rights, obligations, and duties of all parties to the contract, as opposed to the financial definition, which calls for the funding of losses.



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## MODE OF PAYMENT OF LIFE INSURANCE POLICY

Table No. 1 details the payment method used by respondents. The table data makes it obvious that a substantial portion of the respondents pay at work. The percentage of respondents from public firms is 52.2%, the percentage of respondents from the entire sample is 51.2%, and the percentage of respondents from private enterprises is 48.9%. Online payments receive the next-highest majority. In which respondents from private companies make up 46.8% of the sample, respondents from the entire sample make up 35.7%, and respondents from public companies make up 30.9%. Small percentages are reported to salary saving plans via agents, standing orders to banks, and other methods.

**TABLE NO.1 - RESPONDENTS' MODE OF PREMIUM PAYMENT**

Opinion	Sector		Total
	Private	Public	
At Office	147	52.2	199.2
	48.9%	52.2%	51.2%
Online	140	30.9	170.9
	46.8%	30.9%	35.7%
Salary saving scheme	0	.6	.6
	.0%	.6%	.4%
Through agent	0	3.4	3.4
	.0%	3.4%	2.4%
Standing instructions to bank	13	10.5	23.5
	4.3%	10.5%	8.6%
Other (please specify...)	0	2.5	2.5
	.0%	2.5%	1.7%
Total	300	100	400
	100.0%	100.0%	100.0%

The majority of respondents pay their life insurance premiums online since there have been significant improvements to online services in recent years thanks to the internet.



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## **OPINION ON VARIOUS TYPES OF LIFE INSURANCE POLICIES**

Table No. 2 explains the respondents' views on various forms of life insurance policies. The statistics show that the vast majority of respondents—89.6% from private companies, 79.9% from the entire sample, and 75.6% from public enterprises—are aware of different kinds of insurance policies. A little over 10% of respondents from public and private firms had no opinion, whereas 14.3% of respondents from public companies and 9.9% of respondents from the entire sample knew a lot about the various kinds of life insurance policies.

**TABLE NO. – 2 . RESPONDENTS’ OPINION ON VARIOUS TYPES OF INSURANCE POLICIES**

Opinion	Sector		Total
	Private	Public	
Very well known	0	14.3	14.3
	.0%	14.3%	9.9%
Known	269	75.6	344.6
	89.6%	75.6%	79.9%
No opinion	31	10.1	41.1
	10.4%	10.1%	10.2%
Total	300	100	400
	100.0%	100.0%	100.0%

It is understood that 77 survey participants were undecided about the different forms of life insurance policies. In order to reach a wider audience, it is advised that agents and company administrators inform the public about the many types of life insurance plans through various forms of advertising.



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## CONCLUSION

According to the report, a sizable majority of respondents—61.9% of private enterprises and 36.6% of public companies—have at least one life insurance policy. Public firm respondents account for 29.7% of those with two life insurance policies, whereas private company respondents make up 27%. The sample respondents reflect lower percentages for life insurance policyholders with 4 or more policies. People are more drawn to mutual funds, equities, and investments these days than they are to life insurance plans, as seen by the fact that respondents own less life insurance policies. To encourage customers to purchase more life insurance policies, it is proposed that insurance companies tailor their plans to compete with mutual funds, securities, and other types of investments.

According to respondents' responses regarding how frequently they hold life insurance policies, 53.7% of respondents from public businesses hold their policies for 16–20 years or more, whereas 63.2% of respondents from private companies hold their policies for 5–15 years. The private enterprises may have entered the market more recently than LIC, which may be the cause. 91.2% of respondents from public firms and 97.4% of respondents from private companies reported using agents or consultants to buy life insurance policies. The remaining respondents have made internet purchases of life insurance products. To draw more clients into the online space, it is proposed that online services be improved.

The study's statistics show that a sizable majority of respondents—50.2% of private enterprises and 40.8% of public companies—pay premiums on a biannual and quarterly basis, respectively. According to the respondents' preferred method of payment, 52.2 percent of public firm respondents and 48.9 percent of private company respondents pay in-person. Online payments had the next-highest majority, with private companies responding with 46.8% and public corporations responding with 30.9%. Other payment methods are recorded with negligible percentages.

The vast majority of respondents—89.6% of those from private companies and 75.6% of those from public companies—are aware of different forms of life insurance plans, according to data on respondents' awareness of various types of policies. It is known that 77.0 percent of respondents were undecided on a range of policy options. Agents and company executives are advised to inform the public about the many types of insurance policies through a variety



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of promotional mediums. According to their needs and requirements, the sample's respondents as a whole may have had a variety of policies.

According to respondents' opinions on the risk coverage of life insurance policies, the clear majority—84.0% of respondents from private firms and 59.0% of respondents from public enterprises—thought that the risk was likely well covered by the insurance policy. The majority of respondents from the entire sample agreed that life insurance policies definitely and probably well covered the risk because insurance policies are often meant to cover the risk.

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