

## AN ANALYSIS OF INVESTORS PREFERENCE ON VARIOUS LIFE INSURANCE POLICIES

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### Abstract

*The business of insurance is related to the protection of the economic values of asset every asset has a value the owner of any product. Expect some value from it. Every asset is expected to last for a certain period of time during which it will provide benefits. After that the benefit may not be available. There is a life time for machine in a factory or a law on a motor car. The owner of this so he must manage his asset to get optimum benefit. An accident or some other unfortunate event may destroy it or make incapable of giving benefits. In that case owner and those who are enjoying the benefit, there from would be deprived of the benefit. There may be a substitute plan. But it would not be ready. It is an unpleasant situation. Insurance is a mechanism that helps to reduce the effects of adverse situations. This study is aiming to know the preference of the consumer about the investment made on insurance policies. So the study reveals the different attitude of consumer to words it. So through this study the researcher tries to give some recommendation and suggestion for existing products and services of insurance.*

**Keywords: Insurance, Risk, Policies, Preference.**

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### Introduction

A system of insurance through a scientific assessment and calculation of risks and an equitable distribution of financial losses of the 'few' among many who are insured provides numerous direct and indirect benefits to the individual, the family, to the industry and commerce and to the community and nation as a whole. Insurance provides financial security to an individual whether he is engaged in service or business or profession. Personal accidents and sickness insurance give financial protection. The most important function of insurance is to spread risks to which human life is exposed in to. But insurance does not eliminate risks; it only spreads the loss falling on one individual over a large number of individuals. The insurer receives premium from the insuring public. This is pooled and all losses that may incur to any individual are met out of this pool. Thus insurance is a co-operative endeavor to share

the losses of one member among many members of the society.

Insurance encourages the habit of saving among individuals. Once a life policy is taken an individual is bound to pay the premium regularly. So he tries to save portion of his income which might have otherwise spent. In the case of life insurance, the policy holders save a portion of their money for paying premium to the insurer. Later when policy matures they are paid to the insurer. Later when policy matures they are paid to the insured in lump sum. The amount can conveniently be used for acquiring property or other assets. If anything happened to insured's life adversely, the survivors of his family will get the compensation.

Here there are number of other investment opportunities. But a lot of individuals, even ordinary people are interested in life insurance policies. It can easily reach to the public compared to other investment opportunities. Before we go for life insurance policies we

should see what is insurance? What are its functions and principles?

### **Meaning and Definition of Insurance**

Insurance is simply meant to compensate for losses from specified events, but only to the extent of insured amount, to reduce the consequences of above situations.

Though insurance cannot prevent happening of an event and the losses arising there from, yet it can help in removing this uncertainty by spreading the risk over the other members of society. Insurance is a device, or rather a means, to minimise the evil of risks and uncertainties.

### **Definition**

Insurance has been defined by W. A. Din sale as follows: “*insurance is a device for the transfer of risk of individual entities to an insurer, who agrees for a consideration (called premium) to assume to a specified extent, losses suffered by the insured*”

In other words insurance is a contract under which, one in consideration of a sum money called premium, agrees to compensate another or the happening of a specified event.(example: accident or death)or agrees to make good the loss suffered by him in account of a specified risk.

In Financial Sense “*Insurance is a social device in which a group of individuals (insured) transfer risk to another party (insurer) in order to combine loss experience, which permits statistical production of losses and provides for payment of losses from funds contributed by all members who transformed risk*”.

In legal sense a contract of insurance is a contract by which one party in consideration of the price paid to him proportionate to the risk provides security to other party that he shall not suffer loss, damage or prejudice by happening of certain specified events. Insurance is meant to protect the insured against uncertain specified events. There are two parties to the contract of insurance visa insurer and insured. The insured is the party who agrees to compensate other person against possible losses. The insured is

the party who gets his life or property insured against risk. The insured agrees to compensate the insured in consideration of sum money. This is called premium. The document which lays down the terms of the contract insurance is called the “policy”. It is the proof of contract. The thing or property is called the “subject matter” of the insurance and the interest which has insured has in subject matter of the insurance is called insurable interest.

### **Life insurance In India**

The modern concept of insurance came into existence with advent of East India Company in eighteenth century. Many insurers from UK Started to come to insure the English residents. But in nineteenth century, when Indians were recruited to jobs in various officers, then they started seeking protection with insurance companies. The first (Foreign) company started the insurance business in India was oriental life insurance company at Calcutta in 1818. In 1823, Bombay Life Insurance Company started giving insurance policies for two- three year terms. The Madras equitable life Assurance Society came into existence in 1829. These companies facts because improper management.

The first attempt to regulate the insurance business in India was made in 1912 through the Indian Life Assurance Companies Act. This was later broad based and the Indian Companies Act came into existence from the year 1928 on words. Now it is led by Life Insurance Corporation of India. The corporation has established by an act of parliament which received the assent of the president on 18<sup>th</sup> June 1956. The act came in to force in first July 1956 and the corporation began 1<sup>st</sup> September 1956. The corporation is an autonomous body and has necessary to run on sound business principles. In 1993, Malhotra Committee headed by former Governor of RBI, RN Malhotra was formed to evaluate the Indian insurance Industry recommend it future direction. Overall, the committee strongly left that in order to improve the customer service and increase the coverage

of the insurance industry should be opened to the competition. Now there are Twenty – Life Insurance players in addition to LIC in India. Life Insurance is universally acknowledged to be an institution which elements risk by and large life insurance is cavitations partial. Solution to the problem caused by death In India lot of people prefer Life Insurance policies rather than other investment opportunities

### **Why it's Superior to other forms of Savings**

1. Protection - Savings through life insurance guarantee full protection against risk of death of the saver full sum assured is payable in this case. Whereas other savings case only the amount saved is payable.
2. Liquidity - Loans can be raised on the sole security of a policy which has acquired loan value.
3. Money when we need it - A Suitable insurance plan or a contribution of different plan can be taken out to meet specific needs that are likely to arise in future such as children's education starting life or marriage provision or even periodical need for each over a stretch of time.

### **Who can buy a life Insurance Policy?**

Any person who has attained majority and is eligible to enter into a valid contract can take out a life insurance policy for himself and on those in whom he has insurable interest policies can also be taken out, and subject to certain condition, on the life of one's spouse or children. While under writing proposals factors such as the state of health to the life to be assured, proponent's income and other relevant factors are considered by the corporation.

### **Insurance on women**

Prior to nationalization (1956), many of the private insurance companies used offer insurance to female. Lives with some extra premium or on restrictive condition of life insurance, the terms under life insurance, the

terms under life insurance is granted to female lives have been received from time to time. At present, women with earned income are treated on par with male lives.

### **OBJECTIVE OF THE STUDY**

1. To study investors preference on life insurance policies.
2. To know which policy is most favorable among different classes of investors.
3. To study the awareness of investors on different life insurance policies.
4. To study the purpose of investment on insurance.

### **Methodology**

Both primary and secondary data have been used for the study. However, primary data is extensively used and secondary data are intensively and used.

### **Data Collection Method**

Primary data are collected by conducting a sample survey. For this purpose a pre – drafted and pretested questionnaire is used. The source of secondary data includes Annual report and other published documents.

### **Sample Size**

This is a sample study. It is impossible to conduct a census study because the policy holders are large in number. In the field of insurance it is so wide a topic that it is practically impossible to cover each and every aspect. Sample is the better representative part of universe. So it is chosen 60 representative policy holders from different sides of Kottayam.

### **Sampling Technique**

Here we use simple random sampling technique for sampling data collection.

### **Analysis techniques and tools**

There are some simple statistical tools like average, percentages etc. are used for analyzing the data.

### **Scope of this study**

As we know there are a lot of investment avenues for the investors. But what would be the priority of the insurance investment compared to other investment. Now a day's people are anxious about their life and wealth.

So it is covered under life insurance investments. Different classes like agriculture, Business men, Employer etc. uses insurance policies for different needs and purposes. Investment in life insurance policies will give security, increase in return and other additional benefits.

We are conducting this study on the basis of respondents or samples from Kottayam district only. As you know there are lacks of policy holders around the India. But we conduct study as per the samples from Kottayam district only. Here we are selecting policy holders who started their plan from 2007 onwards.

### **Significance of the study**

This study is aiming to know the preference of the consumer about the investment made on insurance policies. So the study reveals the different attitude of consumer towards it. So by this study the researcher tries to give some recommendation and suggestion for existing products and services of insurance. As you know study is not covering all the areas of the investors but the Kottayam district only. But Kottayam is a developed district and demands hundred per cent literacy, we can depend the samples taken from here. The study discusses various interests of the investor and also. Find out the investors from different classes of people. It gives the direction to the new investors to select the best Life Insurance Policy.

### **Findings**

Investors' preference on life insurance policies was evaluated by using primary and secondary data. Primary data were collected from a sample of sixty investors in life insurance policies using a structured questionnaire through direct interview method. The sample respondents were determined on a random sampling basis and the data collected from them were analyzed in order to arrive at conclusions. Simple statistical tools like percentage, average etc. were used for the analysis and the data were presented in tables and figures for easy comprehension. However this chapter is aimed to reproduce a summary of those findings and

conclusions along with suggestions for improvement.

1. This study reveals that majority of respondents belong to the age group of 20 - 40 years. This leads to the conclusion that policy holders are youngsters. Average age is 28 years.
2. The data collected regarding the employment of policyholders revealed that various categories of people like agriculturists, business people, employed personnel etc. hold various types of policies and their respective proportion to the total policy holders are not much different. Therefore it is concluded that the various policies of life insurance companies are popular among all categories of people.
3. The enquiry regarding the marital status of the investor reveals that majority of policyholders are married.
4. Analysis reveals that 90 percent of the policy holders are resident. It signifies that most of the resident Indians like to take life insurance policies.
5. 36 percent of respondents belong to the annual income category of Rs. 300000 to 600000. This leads to the inference that majority of the policy holders are middle income people. But it does not mean that the proportion of upper class people and lower class people are insignificant.
6. Life Insurance Companies are offering different types of policies with different maturity period. It was revealed that medium term policies are more preferred by policy holders.
7. Policy holders are getting more information about policies from insurance agents and then from advertisement. It reveals that agents have a major role in providing information to the policy holders.
8. Study reveals that above 60 per cent of the insured have sufficient knowledge about various policies and they have moderate knowledge about the benefits provided by each type of policies.

9. Regarding the objectives of taking policies the study reveals that risk cover is the most important objective followed by future return.
10. The study further reveals that 35 per cent policies taken by the policy holders are ordinary endowment ones and 28.33 percent had taken money back policies.
11. More people are interested in Bh ma gold policy of LIC.
12. The survey reveals Money back Policy is the most attractive one and most of them prefer it. 68.33 per cent respondents agree with the statement that insurance is the better avenue for investment. They are satisfied with insurance policies.
13. Regarding other benefits received by policyholders from Life Insurance Companies, 43.33 per cent received other benefits in the form of lump sum

repayment and 33.33 per cent in the form of housing loans.

14. Almost all the respondents (95 per cent of investors) are suggesting for innovations and changes in future policies. This reveals that people are more interested in Life insurance investment.

### **Conclusions**

From the study it is clear that investors are of very varying needs and objects. It is a suggestion that there can be better policies with special features for those above 45 years of age and the Companies should give more preference to such persons. Since more people prefer ordinary endowment and money back policies company may provide new attractive features to them. The life insurance companies should provide innovative policies for satisfying new needs of investors.