

Status Analysis of Life Insurance Companies in Serving the Society with Special Reference to Guwahati Assam

Dr. Rajesh Deb Barman,

M.Com, PGDCA, M.Phil, PhD,

Head of Commerce,
Bodoland University, Kokrajhar, Assam, India.

ABSTRACT

Insurance is very important for modern age. Every human being for his survival needs food, clothing and shelter. These are known as basic or essential human wants without which our existence is meaningless. In present day, life is very complex and our needs are no longer restricted to physiological needs alone. Man, his family and their belongings and properties are always exposed to a variety of risks. The answer to these problem lies with the insurance. Insurance is useful to the society.

Life Insurance Companies in public or private sector have the social role in extending social benefit concomitant with their business viability. The aim of the paper will be addressed to the objectives to examine the status of private life insurance companies viz-a-viz public one in the service of the society besides focusing on the main concern of people while taking up a Insurance policy. It is also to analyze the performance and viability of the companies as well as feasibility level of customer satisfaction in the light of social cost-benefit.

Keywords: Life Insurance, social security, customer satisfaction, performance, social cost benefit of life insurance.

INTRODUCTION:

Life insurance is a contract that pledges payment of an amount to the person assured or his nominee on the happening of the event insured against. The contract is valid for payment of insured amount during:

- a) The date of maturity of policy
- b) Specified dates at periodic intervals of policy terms
- c) Unfortunate death, if it occur earlier

Among other things, the contract also provides for the payment of premium periodically to the Insurer by the policyholder. Life insurance is universally acknowledged to be an institution, which eliminates 'risk', substituting certainty for uncertainty and comes to the timely aid of the family in the unfortunate event of death of the breadwinner. By and large, life insurance is civilization's partial solution to the problems caused by death. Life insurance, in short, is concerned with two hazards that stand across the life-path of every person:

- 1) That of dying prematurely leaving a dependent family to fend for itself.
- 2) That of living till old age without visible means of support.

LIFE INSURANCE VS OTHER SAVINGS:

Contract of Insurance:

A contract of insurance is a contract of utmost good faith. The doctrine of disclosing all materials facts is embodied in this important principle, which applies to all form of insurance. At the time of taking a policy, policyholder should ensure that all questions in the proposal form are correctly answered. Any misrepresentation, non-disclosure or fraud in any document leading to the acceptance of risk would render the insurance contract null and void.

Protection:

Savings through life insurance guarantee full protection against risk of death of the saver. Also, in case of demise, life insurance assures payment of the entire amount assured with bonuses wherever applicable where as in other savings schemes, only the amount saved with interest is payable.

Aid to Thrift:

Life insurance encourages 'thrift'. It allows long-term savings since payments can be made effortlessly because of the 'easy installment' facility built into the scheme. Premium payment for insurance policy made as single, monthly, quarterly, half-yearly and yearly basis. Like the Salary Saving Scheme popularly known as SSS, provides a convenient method for paying premium each month by deduction from one's salary. In this case the employer directly pays the deducted premium to Life Insurance Companies (Insurer)

Liquidity:

In case of insurance, it is easy to acquire loans on the sole security of the policy that has acquired loan value. Besides, a life insurance policy is also generally accepted as security, even for a commercial loan.

Tax Relief:

Life Insurance is the best way to enjoy tax deductions on income tax and wealth tax. This is available for amounts paid by way of premium for life insurance subject to income tax rates in force. Assesses can also avail of provisions in the law for tax relief. In such cases the assured in effect pays a lower premium for insurance than otherwise.

Money When You Need It:

A policy that has a suitable insurance plan or a combination of different plans can be effectively used to meet certain monetary needs that may arise from time-to-time. Children's education, start-in-life or marriage provision or even periodical needs for cash over a stretch of time can be less stressful with the help of these policies. Alternatively, policy money can be made available at the time of one's retirement from service and used for any specific purpose, such as, purchase of a house or for other investments. Also, loans are granted to policyholders for house building or for purchase of flats etc.

Insurance is nothing but a contract between two parties, one party called insurer and the other called insured or assured. Insurer agrees to indemnify the other party from loss arising from certain specified events and the insured pays an agreed sum of money, called premium or consideration.

The business of insurance is related to the protection of the economic value of assets. Every asset has a value. The assets, having been created through the efforts of the owner, are valuable to him, because he expects to get some benefits from it. The benefit may be an income. It is a benefit because it meets some of his needs. Every asset is expected to last for a certain period of time during which it will perform. After that, the benefit may not be available. A human life is an income generating asset. This also can be lost unexpectedly by early death or made non functional through sickness and disabilities. Death will happen, but the timing is uncertain. If it happens around one's retirement, then it could be expected that the income will normally cease, and the person concerned could have made some other arrangements to meet the contingency needs. Insurance may be described as a social device to reduce or eliminate risk of life and property. Under the plan of insurance a large number of people associate themselves by sharing risk, attached to individual. The insurance sector in India has come full circle from being an open competitive market to nationalization and back to a liberalized market again. The insurance industry affects money, capital markets and the real estate sectors in an economy, making insurance facility necessary to ensure the completeness of a market. It is an industry with strategic importance for any country as it contributes to the financial sectors as well as social benefits on the society. At the micro level an insurance policy protects the insured against financial loss arising from a specified set of risks at some cost. India was one of the least insured countries in the last few decades of the 20th Century.

OVERVIEW OF LITERATURE:

The problem identified linked to other studies on the theme in the literature has been delineated in the followings. Ph. D. Thesis of Golok Ch. Deka (1987) on the topic of "Role of Life Insurance Corporation of India": Focusing that the development of life insurance in NE Region in an organized way started only in the post-nationalization period, the study analyses the progress of life insurance business in NE Region during 1st September 1956 to 31st March 1984.

Study by Sinha Tapan (2005). An Analysis of the evaluation of Insurance in India: Highlighting that the

importance of insurance is mainly in the rural sector with privatization playing a significant role in the market, the study made projections for different segments of the market.

Study by Paul Fenn and Dev Vencappa (2006), "Market structure and the Efficiency of European Insurance Companies": It examined the impact of competition on cost and revenue efficiency of Insurance Companies operating locally in the various European Insurance markets.

Study conducted by Acharyya Madhusudan (2007), "An empirical study of the management of operational risk in four European Insurance Companies": The study explored quantifiable and non-quantifiable operational risks to which major insurance Companies are exposed.

Dr. H. Sadhak, in his study on Life Insurance in India, Opportunities, Challenges and Strategic Prospective (2009), (Sage Books Publication) worked on Indian Life insurance Industry in the context of Globalization, economic Reforms and Liberalization of Indian Insurance and capital market and overall financial sectors. Analysing dynamics of growth of Indian Life Insurance Industry in the light of changes in economic environment, demographic transition, changing market structure, changing product-market relationship and emerging convergence in financial market, Dr. Sadhak focused on certain critical issues like Strategic Planning and Market Research, Change in Management Systems dealing with distribution and customer expectation with futuristic perspectives.

As there is a gap in literature and as no such study has been undertaken in theoretical framework of cost and benefit in Assam regarding operational status of Life Insurance in micro economic environment in Guwahati city, this research work done.

OBJECTIVES/ AIM OF THE RESEARCH PAPER:

The aim of the paper is to bring to focus the social role played by the insurance companies in extending benefit of financial protection of human lives concomitant with viability of the companies. The aim of the project will be addressed with the following objectives:

- To examine the status of private life insurance companies viz-a-viz public one in the service of the society.
- To evaluate viability of the companies and feasibility level of customer satisfaction in the light of social cost-benefit.

RESEARCH METHODOLOGY:

The study is an analytical approach to the role and status of life insurance companies in the service of the society. The study area is confined to the city of Guwahati in Assam. The study will be done on two groups of life insurance companies. (A) Life Insurance Corporation of India as the public sector company and (B) selected 10 private companies out of existing 23 private companies which were operational existent or were registered under the IRDA act 1999, on or before 2001.

The study is based both on primary and secondary data. The primary data are to be collected through an interview schedule and discussions with the customers, officers and other staff of LIC and private Insurance companies. 20 officials from each of the selected companies in the city of Guwahati are to be taken as sample for fulfilling the objectives.

The second category of respondents will be from the population of insured customer and policyholders 50 purposively selected each from private sector companies totaling 500 and another 500 customers are to be randomly selected from LIC, making a total of 1000 samples for effective analysis.

Secondary data are to be collected from various publications, Insurance Chronicles, Socio-Economic profile of LIC, Annual report of IRDA and also various research articles, journals, various dissertations, reports, project reports.

Some statistical tools like percentage, average, ratio, diagram, chart, tables, trend analysis etc. will be used for the analysis interpretation of data.

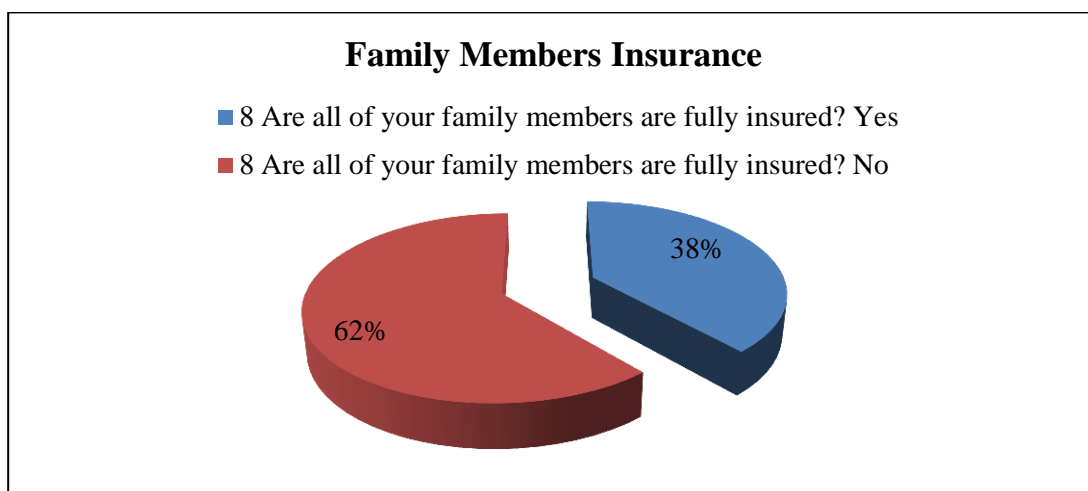
DATA ANALYSIS & INTERPRETATION:

Table 1: Family insurance status of the Respondents

Sl. No.	Basis	Factors	No. of Respondents	Percentages
1	Are all of your family members fully insured?	Yes	385	38.50
		No	615	61.50
	Total		1000	100.00

Source: Field Survey

Fig. No 1



Interpretation:

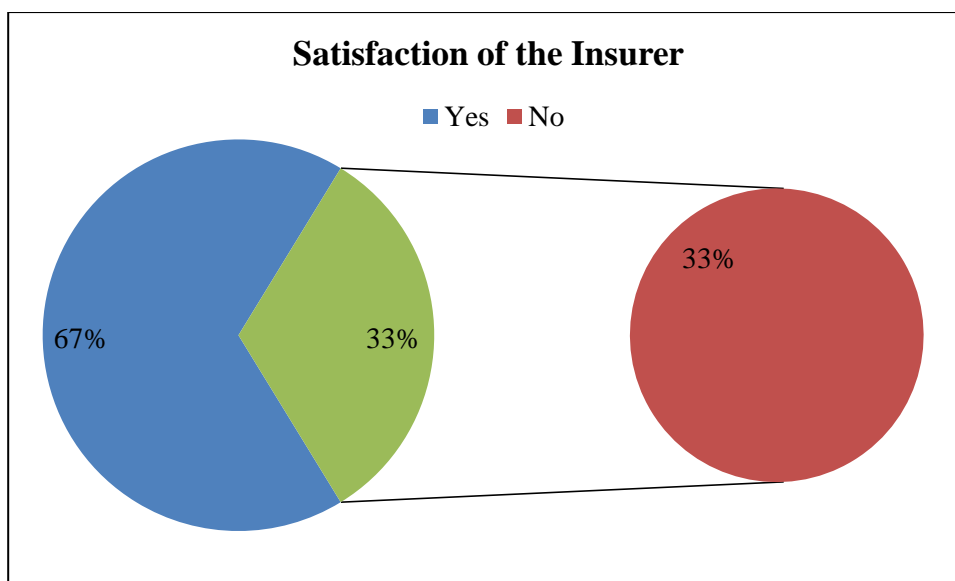
As per the table and pie diagram shows that the number of respondent who have said YES in response is 385 indicating 38.5% of the total number of respondents and the number of respondents who have said NO in response is 615 indicating 61.5% of the total number of respondents. The data also reveals that that most of the family members are not fully insured.

Table 2: Satisfaction of Insurer

Sl. No.	Basis	Factors	No. of Respondents	Percentages
2	Are you satisfied with your existing Insurer?	Yes	675	67.50
		No	325	32.50
	Total		1000	100.00

Source: Field Survey

Fig. No 2



Interpretation:

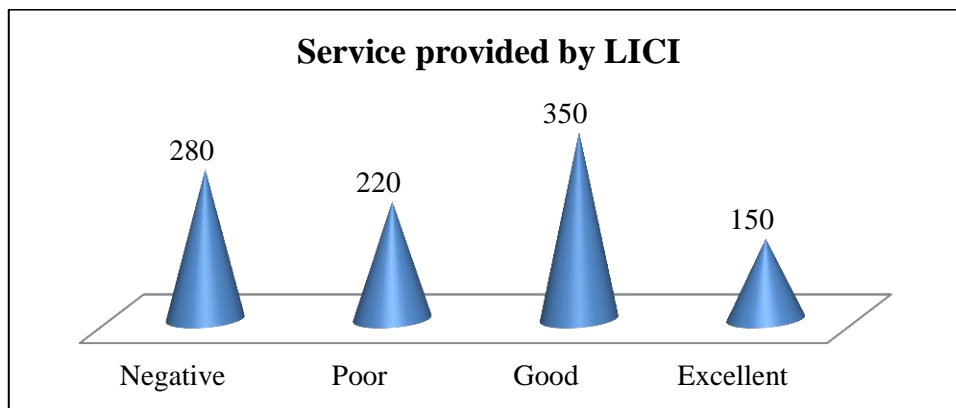
the above diagram shows that the number of respondent who have said YES in response is 675 indicating 67.5% of the total number of respondents and the number of respondents who have said NO in response is 325 indicating 32.5 % of the total number of respondents. The data also reveals that the numbers of respondent who are satisfied with their existing Insurer are more than the number of respondent who are not satisfied with their existing Insurer.

Table 3: Status of Service provided by LIC

Sl. No.	Basis	Factors	No. of Respondents	Percentages
3	How will you rank the service provided by LIC.	Negative	280	28.00
		Poor	220	22.00
		Good	350	35.00
		Excellent	150	15.00
	Total		1000	100.00

Source: Field Survey

Fig. No 3



Interpretation:

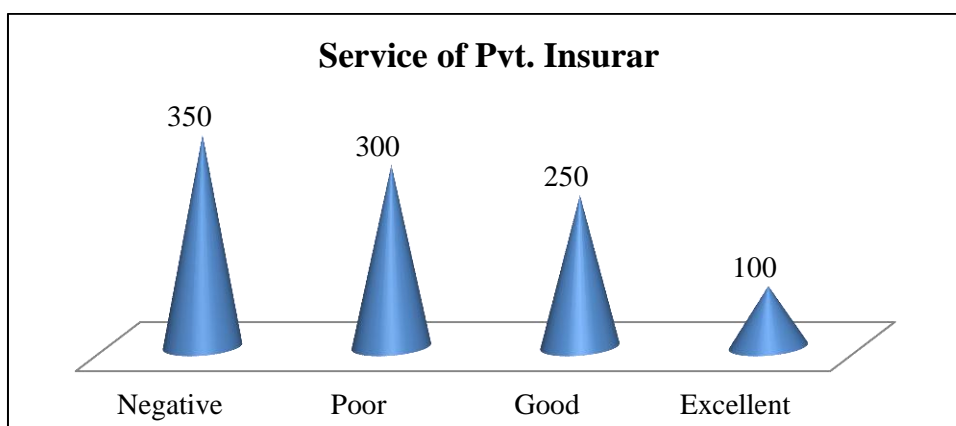
The above diagram shows that The number of respondents who have responded in Negative is 280 reflecting 28% of the total number of respondents and The number of respondents who have responded in Poor is 220 indicating 22% of the total number of respondents and The number of respondents who have responded in Good is 350 indicating 35% of the total number of respondents and The number in the above chart of respondents who have responded in Excellent is 150 indicating 15% of the total number of respondents .As per the table and diagram shows that the number of respondent who have ranked the service provided by LIC As Good are the highest and the number of respondent who have rank the service provided by LIC As excellent is the least.

Table 4: Status of service provided by private Insurer

Sl. No.	Basis	Factors	No. of Respondents	Percentages
4	How will you rank the service provided by private insurance companies to the customers?	Negative	350	35.00
		Poor	300	30.00
		Good	250	25.00
		Excellent	100	10.00
	Total		1000	100.00

Source: Field Survey

Fig. No 4



Interpretation:

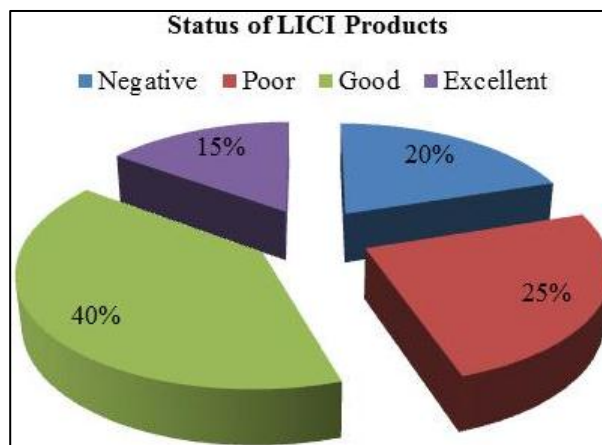
The above diagram shows that The number of respondents who have responded in Negative is 350 reflecting 35% of the total number of respondents and The number of respondents who have responded in Poor is 300 indicating 30% of the total number of respondents and The number of respondents who have responded in Good is 250 indicating 25% of the total number of respondents and The number in the above chart of respondents who have responded in Excellent is 100 indicating 10% of the total number of respondents in the above chart. As per the table and diagram shows that the number of respondent who have ranked the service provided by private insurance companies to the customers As negative are the highest and the number of respondent who have rank the service provided by private insurance companies to the customers As excellent is the least

Table 5: Status of LICI products

SL. No.	Basis	Factors	No. of Respondents	Percentages
5	How will you rank the product /policies of LICI?	Negative	200	20.00
		Poor	250	25.00
		Good	400	40.00
		Excellent	150	15.00
	Total		1000	100.00

Source: Field Survey

Fig.No 5



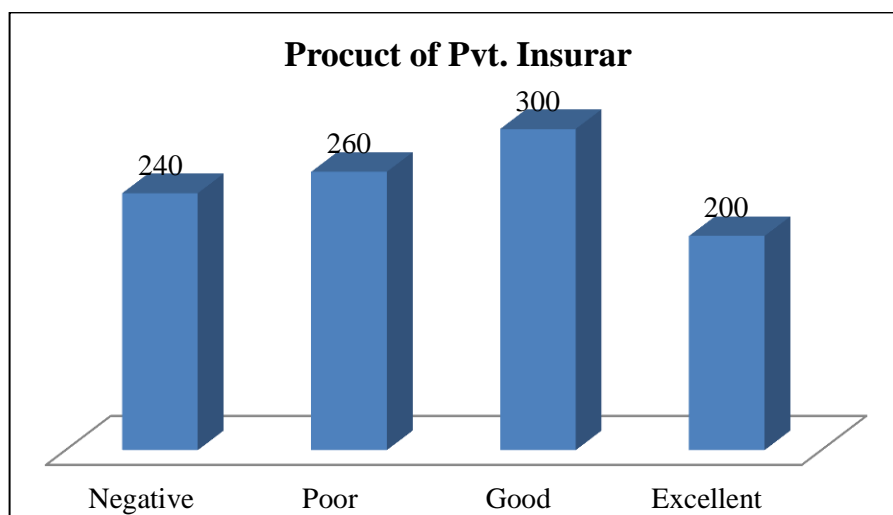
Interpretation:

The above diagram shows that The number of respondents who have responded in Negative is 200 reflecting 20% of the total number of respondents and The number of respondents who have responded in Poor is 250 indicating 25% of the total number of respondents and The number of respondents who have responded in Good is 400 indicating 40% of the total number of respondents and The number in the above chart of respondents who have responded in Excellent is 150 indicating 15% of the total number of respondents in the above chart. As per the table and diagram shows that the number of respondent who have ranked the product /policies provided by LICI As Good are the highest at 40% and the number of respondent who have rank the product /policies provided by LICI As excellent is the least at 15 %.

Table 6: Status of Pvt. Insurer Products

SL. No.	Basis	Factors	No. of Respondents	Percentages
6	How will you rank the product / policies of private insurance companies for the customers?	Negative	240	24.00
		Poor	260	26.00
		Good	300	30.00
		Excellent	200	20.00
	Total		1000	100.00

Fig.No 6



Interpretation:

The above diagram shows that The number of respondents who have responded in Negative is 240 reflecting 24% of the total number of respondents and The number of respondents who have responded in Poor is 260 indicating 26% of the total number of respondents and The number of respondents who have responded in Good is 300 indicating 30% of the total number of respondents and The number in the above chart of respondents who have responded in Excellent is 200 indicating 20% of the total number of respondents in the above chart. As per the table and the bar diagram shows that the number of respondent who have ranked the product / policies provided by private insurance companies for the customers As good are the highest and the number of respondent who have ranked the product / policies provided by private insurance companies for the customers As excellent is the least.

MAJOR FINDINGS:

- The research paper is an attempt to study the insurance awareness among the people in Assam. It was found that awareness level of insurance plans of various insurance companies is high in Guwahati city as compared to other places of Assam.
- Private companies should make their premium amount less compared to the LIC, and then they would be able to cover many lives. By doing so, they would also be able to capture the insurance market to a great extent.
- In this research study, it found that there were many people who do not know what life insurance is and why it is important in our life. So, the insurance companies can undertake special awareness programs to make more people aware about life insurance.
- Insurance helps people to minimize the risk. Though now-a-days different Insurance companies have come into the Indian market with different insurance plans, yet large number of people is not conscious about the new plans of different insurance companies.
- The private insurers are generally concerned with urban and developed areas of the country but rural areas remained untouched and neglected by them. Lack of infrastructure, long distances, etc., deterred the private players to explore the business opportunities in the rural areas.
- Policyholder satisfaction also depends on customers income level, status, education qualification are vary from customer to customer in insurance sectors. The middle income group policyholder is fully satisfied with LIC but the high income group policyholders are not satisfied with LIC products. They preferred to buy the insurance products from private insurers in Guwahati city.

CONCLUSION:

The govt. set up, 1993 a committee under the chairmanship of R. N. Malhotra, the former insurance secretary and the RBI Governor to evaluate the Indian insurance industry and recommend its future direction. The committee submitted its report in 1994 and suggested the pre opening up of the insurance sector to private players. This sector was finally thrown open to the private insurer in 2000. The govt. has entrusted the Insurance Regulatory

and Development Authority (IRDA) with the responsibility of carrying out the reforms in this sector. With the opening up of the insurance sector to presently 23 number of private life insurer player have entered this sectors. These companies have raised a lot of interest and awareness about life insurance. All private life insurance companies are trying to increase number of policies and premium income with the help of number of distribution channels. The market share of private life insurance companies are increasing significantly. LICI which is the oldest and strongest public sector insurer is still dominating the insurance market in India. LICI should modify various policies so as to attract the younger segment of the populations and to retain its hold in the insurance market. It also remains to be seemed what strategies the private life insurance companies will adopt to overcome the challenges from LICI to maintain their sustainable growth over the year.

With the opening up of the Indian Insurance sector to private players, a number of private companies have entered this sector. These companies have raised a lot of interest and awareness about life insurance in the society. All private life insurance companies are trying to increase the number of distribution channels. The market share of almost all private life insurance companies are increasing significantly, LICI continued to be the dominant life insurance even in the liberalized scenario of Indian Insurance and moving fast on a new growth trajectory surpassing its own past records. LICI has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. Yet, the private insurance companies have become able to collect a larger amount of premium from people. In future, private sector life insurance companies capture a huge percentage of the insurance market.

REFERENCES:

- Acharyya Madhusadan (2007). *An empirical study of the management of operational risk in four European Insurance Companies*, CRIS, Nottingham University Business School.
- Balachandran Mr. S (Jan' 2008). *Insurance Business Environment- IC 12*, Insurance Institute of India.
- Balachandran Mr. S (Jun' 2004). *Life Insurance - IC 33*, Insurance Institute of India.
- Deka Golok Ch. (1987). Role of Life Insurance Corporation of India, in Ph. D. Thesis Insurance Institute of India, *Mumbai – Journals* (Dec'07, Apr'08, Jun'08, Sept'08, Dec'08, Jan'09).
- Sadhak Dr. H., (2009). *Life Insurance in India, Opportunities, Challenges and Strategic Perspective*, Sage Book Publication
- Sinha, Tapan (2005). *An Analysis of the Evaluation in India*. CRIS Discussion Paper series 2005, CRIS, Nottingham University Business School.
