

# Changing Needs of Insurance - A Study with Reference to Chennai City

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## Abstract

The Life Insurance expectations of any Insured is that, he should get something in return out of the premium. This has brought the focus on the general public regarding penetration of Endowment and other market driven policies. In a changing life style of today, the need is towards Term Insurance and Health Insurance as the respondents are not ready for long term investment and particular on low premium. The endowment premium are long term and hence lost its importance. This has resulted in lack of focus by the Uninsured public or Employed / Business class from shying away from Term Insurance Plans.

Even many of the Insurance Professionals / Insurance Industry employees / Bancassurance lack focus in insuring themselves with Term Insurance Plans. Further the regulator viz., IRDA does not insist on product wise information nor the Insurers furnish the details of term insurance including in their Annual reports including major companies like HDFC Standard Life Insurance Company Limited, ICICI Prudential, Tata AIA and SBI Life Insurance Company limited. Hence it is more convenient for the insurers to reject or shy away rejecting the insurance policies for one reason or the other e.g. Diabetes is a common health problem and not disease and the Insurers conveniently decline the policies to show a window dressed claim ratio.

Similarly Health Insurance is considered as a vital need for every individual for self and his or her family which are charged with high premium at least double the premium beyond 60 years wherein the hard earned money or spent for health premium by both Public Sector and Private Sector. This hike in premium is also due to leverage given in proposal and claims on the Group policy wherein the corporate bargaining is more.

## Article History

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## I. INTRODUCTION

Term Plans are easier to understand as it covers death only than endowment which covers death and investment cover also. Some Insurers refund the premium amount if claim is not made as matter of attracting prospects which also are yet to be proved.

There is huge competition in pricing of term insurance which results in chasing of prospects for solicitation by Insurers and Intermediaries through

tele-calling and e-selling,

The flexibility of the age group is offered up to 80 years by some of the private insurers with

premium payment till policy period or pre-payment of premium based on convenience of the prospects. Tax concessions under Sec 80C of the Income Tax Act is available for such investment.

As the financial market needs protection, they offer credit shield to protect the life of the loanees until

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the Loan expiry period on a Diminishing balance method which is also shown in the Life Insurance books sold and not for a common man.

The Term Insurance will not only generate Premium and the same will spread the risk in all

sections of the community in India. This will benefit the Insured public and at the same time,

the potential in Insurance market will grow Multifood and give energy to the Union

Government the success of Foreign Direct Investment in India raised to 49% in Insurance

business.

There are various ways to understand the availability of Term Insurance benefits and pricing such as Policy Bazaar which gives Premium Calculator, Support Services etc apart from the Channel partners to educate the Insured. The focus on Health Insurance also is gaining momentum through regular follow-up by all Channel partners and intermediaries apart from the need for hospitalisation due to various illness by the common man.

### Advantages of Term Plans:

- Easier to understand
- Covers Death only and / or critical illness and accidental cover on extra premium.
- Return of premium on expiry of policy period
- Flexibility
- Tax Benefit under Sec 80C of Income Tax Act.
- Lower premium
- Monthly premium payment
- Salaried persons can be insured 100% of their earnings after deduction of expenses
- Non-earning spouses are covered by some

Insurers

### Avoid Claim Rejections:

- ☐ Payment of premium without lapse
- ☐ Disclosure of complete information required
- ☐ Pre-existing revilements on medical condition at the time of proposal ☐ Reading and proper understanding of claims settlement process
- ☐ Marking Nominations
- ☐ Keep policy documents accessible.

## II. RESEARCH GAP

Larger cover at lowest premium, Inexpensive method of financial impact have become the order of the day in fast moving life and hence Term Insurance and Health Insurance are expected by prospects.

There should be a launch of a Govt Sponsored programme for Term Insurance like Ayushman Bharat for Health Insurance. This will help the uncovered families of Term Insurance in case of Death resulting in protection rather leaving them in dark.

Private Insurers and Public Insurers find reasons for rejections in Term Insurance. The

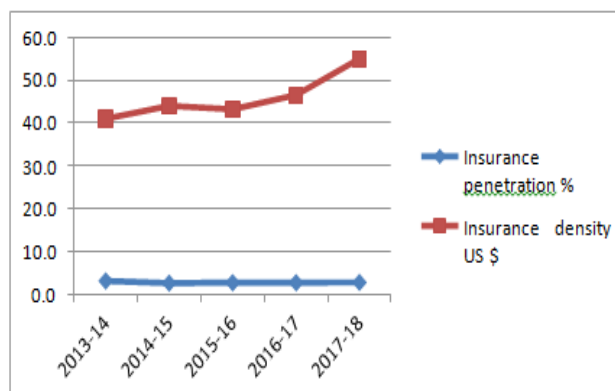
penetration is as low as 2.76 % in Indian Life Insurance Sector as per IRDA Handbook. The

settlement of Claims is shown close to 100% as it is apparent that Insurers in India are not particular in distribution of Term Insurance products.

### A. Summary of indian life insurance sector

PARTICUL	Uni	2013	2014	2015	2016	2017
Insurance	%	3	2	2.72	2.72	2.76
Insurance	U S	4	4	43	46	5

\*\*\* IRDA Handbook 2017-18



### III. LITERATURE REVIEW

Barry Higgins (2019) has given insights with respect to While premiums for these level term

policies remain level for a set number of years, after this time period the premium increases

significantly, making the policy cost prohibitive. Most term policies have a built-in privilege

to convert to a permanent policy regardless of any changes in the insured's health.

Shinde Sanjay Kumar (2011) in his thesis titled “A comparative study of life insurance

Corporation of India and private life insurance companies in India” wherein he highlighted

the deregulation has improved competition among insurers. The private insurers have to

plough back capital in order to enhance their liquidity. He concluded that there is lot of scope

for insurance business in India.

Vijay Lakshmi Sharma (2008) in her thesis titled “Role of LIC in Socio-economic development of India” had detailed the products of Life Insurance Corporation of India including Term Insurance. She concluded that ULIPS are selling more but the market is uncertain and hence people tend to go for short term investments.

### IV. RESEARCH METHODOLOGY

#### Research Strategy

<b>Research Design</b>	Descriptive research
<b>Study Population</b>	Employees working in various sectors like IT,
<b>Population</b>	Statistics issued by IRDA Hand
<b>Study Area</b>	City of Chennai
<b>Sample Frame</b>	Employees working in Metro and tier II and tier III cities and in the age between 21 and
<b>Sampling Unit</b>	Salaried class
<b>Sampling</b>	Convenient sampling
<b>Sample Size</b>	129 samples
<b>Nature of Data</b>	Both Primary and Secondary
<b>Sources of</b>	Survey method through
<b>Sources of Secondary Data</b>	Newspapers, Journals, Magazines, Previous Research
<b>Tool used for</b>	Scheduling
<b>Type of</b>	Close ended, Multiple choice
<b>Establishing Validity</b>	Carried out to check Validity of constructed
<b>Statistical Tools Used</b>	1. Simple percentage method 2. Radar Diagram 3. Pie Chart

#### 4.1 Premium Contribution among Male and Females

Particulars	Male	Female	Total
Up to Rs.10000	53	22	75
	71%	29%	100%
	55%	69%	58%
Rs.10000 to Rs.20000	30	7	37
	81%	19%	100%
	31%	22%	29%
Rs.20000 to Rs.30000	11	2	13
	85%	15%	100%
	11%	6%	10%
Rs.30000 to Rs.40000	2	1	3
	67%	33%	100%
	2%	3%	2%
Above Rs. 40000	1	0	1
	100%	0%	100%

There 71% of the males who contribute towards

Term insurance and 29% are females up to Rs. 10,000/- premium followed by 81% of males and 19% are females in the premium

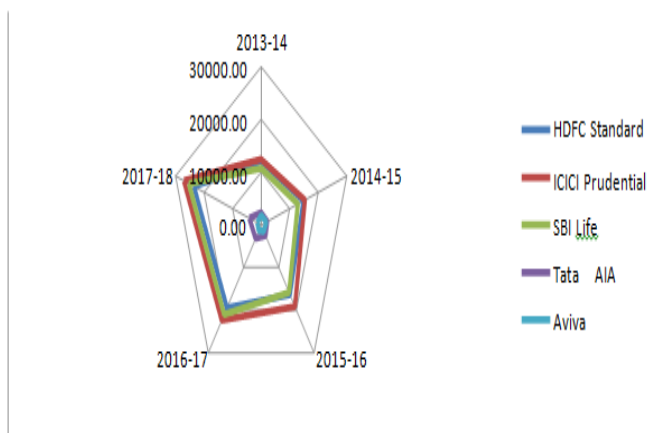
investment of Rs. 10,000-20,000/- band.

#### 4.2 Comparison Of Life Insurance Premium Penetration (Rs. In cr)

INSUR	2013-	2014-	2015-	2016-	2017-
HDFC	12062.	14829.	16312.	19445.	23564.
ICICI	12428.	15306.	19164.	22354.	27068.
SBI Life	10738.	12867.	15825.	21015.	25354.
Tata	2323.7	2122.6	2478.9	3171.0	4162.9
Aviva	1878.1	1796.2	1493.1	1336.5	1344.2

\*\*\* Source - IRDA Handbook 2017-18

The maximum premium generation in Life Insurance is ICICI Prudential with Rs. 27069 crores followed by SBI Life with Rs. 25354 crores but there is no breakup of Term Insurance sold by the Insurers.



#### 4.3 Age of Respondents

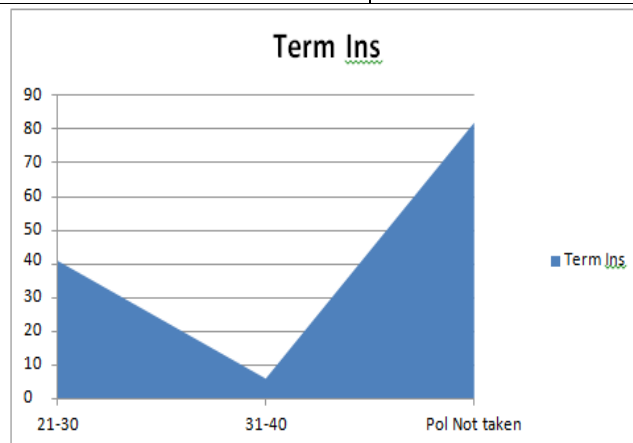
The respondents are mostly in the age group of 21-30 years which account for 41 numbers.

The respondents who have not availed Term Insurance are 82 persons out of the total of 129

respondents which proves the penetration of Indian Life Insurance Industry towards Term

Insurance.

Age of Respondents	Term Insurance
21-30	41
31-40	6
Pol Not taken	82



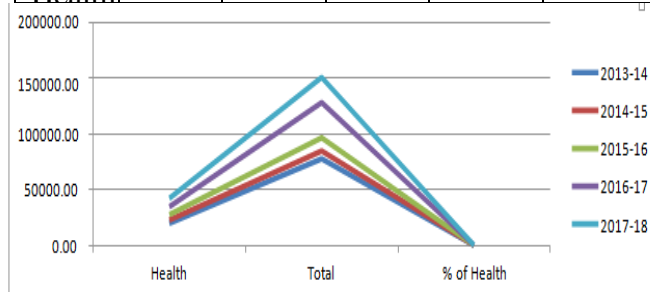
#### 4.3 Health Insurance Business in India

There is a straight line trend of Health Insurance growth of 27-28 % in India as the public

at large are in anticipation of “Ayushman Bharat” health care sponsored by Government

of India.

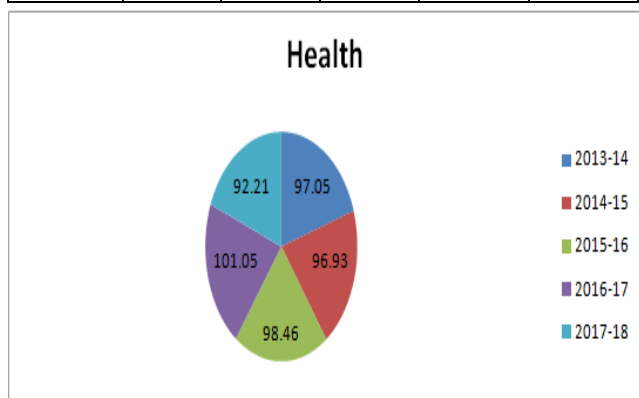
Busin	2013-	2014-	2015-	2016-	2017-
Health	19634	22636	27457	34526.	41980.
<b>Total</b>	<b>77553</b>	<b>84685</b>	<b>96379</b>	<b>128128</b>	<b>150662</b>
% of Health	25	27	28	27	28



#### 4.4 Claims ratio in Health Insurance Industry

The claims ratio were 101 % in the year 2016-17 and has come down to 2017-18 as the Govt of India has regulating the hospitals regarding cost of treatment resulting in reduction of claims ratio to 92%.

Claims	2013-14	2014-15	2015-16	2016-17	2017-18
Health	97.05	96.93	98.46	101.05	92.21



## V. FINDINGS & CONCLUSION

a. 82% of the respondents are not covered out of 129 samples relating to Term

Insurance.

b. Diabetes and other renal diseases not covered which is disadvantage as diabetes is a

common problem.

c. Age group below 50 years are allowed to be a prospect with or without medical

examination and others are totally ignored.

d. Unnecessary medical records of over 10 years insisted even though not relevant for the

current policy.

e. Exposure is the only objective rather than catering to the needs of the people in terms

of crisis

f. Age of the prospect in the last quarter is dragged for age band to change for charging

higher premium.

g. Projection of penetration at 2.76 % and window dressing of 100% claims settlement

h. Regulator not insisting in their Reporting regarding productwise report on Life

Insurance and especially Term Insurance.

i. There is neglect of Insurance due to awareness of the respondents and the denial Term

Insurance by Insurers beyond 40 years.

## VI. SUGGESTION AND FUTURE SCOPE OF RESEARCH

The Insurers have to penetrate through the Channels like Corporate Agency / Bancassurance / Brokers. , In order to attract the public towards the Term Insurance Plans, we need to make a combo of these kinds of comparisons and shall make mandatory for all those channel partners. The Sum Insured be Tailor-made based on affordability and allocable surplus or available surplus on Annual premium deductible on monthly basis. It is pertinent to note here that not even 10% of the total population would not have insured into Term Insurance as the risk is neither perceived in the proper manner due to lack of awareness.

The Unique Selling Point (USP) should be devised as a commitment to the Insured that if there is no risk reported during the entire Term of the policy viz., 70 years or 80 years of age as the case may be, the Insured shall reimburse a sum equivalent to 50% of the premium paid. This will be an option to choose Term Insurance that will help the family in case of any eventuality within the said 70 years or 80 years of age (policy term). In case of no eventuality and the Insured surpasses the age of 70 years or 80 years shall live with the balance of the sum so reimbursed towards NO CLAIM.

There Is A Need For Term Insurance Like Ayushman Bharat Health Insurance Launched By Govt Of India.

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