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SUITABILITY OF LIFE INSURANCE PRODUCTS FOR DIFFERENT RISK GROUPS IN INDIA

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ABSTRACT

Life Insurance products are bought lesser in India exclusively by rural population. General Insurance is often bought because there are compulsions under the law or from the financiers asking for insurance as collateral security. In the case of life insurance there is very little compulsion. This research study attempts to explore the reasons for the low penetration of life insurance in rural areas/markets and among socially & economically backward classes. It's a descriptive research which tells about the best possible insurance deal suitable to rural areas, socio-economic backward classes, children, business people etc., by comparing the insurance products offered by the Indian insurers. The data for the study has been collected from secondary sources.

The study also shows that the risk of death is ignored by the rural people even though there is more probability of such misfortune for people living in rural areas. The rural people believe that they will live a long and healthy life. The major factors that affect the life insurance penetrations in the rural areas are premium charged for the policy, income earned by the people, poor educational status, socio-economic backwardness etc. Further, life insurance products are sought primarily as savings instruments rather than life risk coverage entity. People have a culture of high propensity to save. The rural customer considers safety of the invested funds as the most important issue when purchasing the life insurance products and the claim settlement and assistance in policy management in other issues that affect the decision of purchase. The obvious reason is rural customer has limited income which is hard earned and hence less money available for investment in life risk coverage area.

The study reveals that there should be variation in pricing of premiums that is necessary to sell products in rural areas. The other reasons are non-availability of customized/need-based insurance products for different risk groups mentioned above, low customer awareness and need of improved distribution networks that have personal touch with the customers.

Keywords: Life Insurance, Rural segment, Socio-economic backwardness, awareness, distribution channels, product customisation.

INTRODUCTION:

Insurance occupies an important place in the complex modern world since risk, which can be insured, has increased enormously in every walk of life. This has led to growth in the insurance business and evolution of various types of insurance covers. The insurance sector acts as a mobiliser of savings and a financial intermediary and is also a promoter of investment activities. It can play a significant role in the economic development of a country, while economic development itself can facilitate the growth of the insurance sector

CONCEPT OF INSURANCE

Insurance is a form of risk management which is used primarily to hedge against the risk of a contingent, uncertain loss. Insurance is defined as the equitable transfer of the risk of loss, from one entity to another, in exchange for payment. Insurance is essentially an arrangement where the losses experienced by a few are extended among many who are exposed to similar risks. It is a protection against financial loss that may occur due to an unexpected event. The transaction involves the insured assuming a guaranteed and known, relatively small, loss in the form of payment to the insurer in exchange for the insurer's promise to compensate or indemnify the insured in the case of a large, possibly devastating and loss. The insured receives a contract called an insurance policy which details the conditions and circumstances under which the insured will be compensated.

Insurance is a system by which the losses suffered by a few are spread over many, exposed to similar risks. It is a protection against financial loss arising on the happening of an unexpected event. Insurance companies collect premiums to provide for this protection. A loss is paid out of the amount premiums collected from the insuring public and the insurance companies act as trustees to the collected.

Insurance can be classified broadly into: (a) life insurance, and (b) general or non-life insurance. (a) Life insurance or life assurance is a contract between the policy owner and the insurer, where the insurer agrees to pay the designated beneficiary a sum of money upon the occurrence of the insured individual’s death or other event, such as terminal or critical illness. In return, the policy owner agrees to pay a stipulated amount at regular intervals or in lump sums.

Life-based contracts tend to fall into two major categories:

Protection policies: designed to provide a benefit in case of a specified event, typically against lump sum payment. A common form of this policy is term insurance.

Investment policies: the main objective is to facilitate the growth of capital by single or regular premiums. The common forms in this category include whole life, universal life and variable life policies.

STATEMENT OF THE PROBLEM:

Too many people in this country are not in employment; and work for too many no longer guarantees income security. Several millions are part-time, self-employed and low-earning workers living under pitiable circumstances where there is no security cover against risk. Further the inherent changing employment risks, the prospect of continual change in the work place with its attendant threats of unemployment and low pay especially after the adoption of New Economic Policy and the imminent lifecycle risks - a new source of insecurity which includes the changing demands of family life, separation, divorce and elderly dependents are tormenting the society. Risk has become central to one's life. It is within this background life insurance policy has been introduced by the insurance companies covering risks at various levels. Life insurance coverage is against disablement or in the event of death of the insured, economic support for the dependents. It is a measure of social security to livelihood for the insured or dependents. This is to make the right to life meaningful, worth living and right to livelihood a means for sustenance. Therefore, it goes without saying that an appropriate life insurance policy within the paying capacity and means of the insured to pay premium is one of the social security measures envisaged under the Indian Constitution. Hence, right to social security, protection of the family, economic empowerment to the poor and disadvantaged are integral part of the right to life and dignity of the person guaranteed in the constitution.

Man finds his security in income (money) which enables him to buy food, clothing, shelter and other necessities of life. A person has to earn income not only for himself but also for his dependents, viz., wife and children. He has to provide legally for his family needs, and so he has to keep aside something regularly for a rainy day and for his old age. This fundamental need for security for self and dependents proved to be the mother of invention of the institution of life insurance.

In India, insurance is generally considered as a tax-saving device instead of understanding /having clear idea about its other implied long term financial benefits and protection to life. Therefore, a huge challenge in the Indian insurance industry is that despite the population explosion, the country's insurable population remains at an all-time low. **In India, more than 70% people live in villages, more than 80% people are having very low income and most of them are dependent on agriculture works. As a whole, different risk groups of the society i.e., rural people, socially and economically backward people, business people, children etc. face risks**. As per **2016** statistics, the industry has not yet insured even 50% of insurable population in India. At this juncture, it is essential to familiarize the above referred different risk groups with the best suitable deals/life insurance plans in terms of protection basically life coverage and also regarding the other long-term benefits.

A well developed and evolved insurance sector is needed for economic development and at the same time strengthens the risk taking ability

Definitions

"Rural sector" shall mean any place as per the latest census which meets the following criteria:

- A population of less than 5,000 (five thousand)
- A density of population of less than400 four hundred per square kilometer and
- More than twenty five per cent of the male working population is engaged in agricultural pursuits.

  The categories of workers falling under **agricultural pursuits** are as under: ‰ Cultivators; ‰ Agricultural labourers; ‰ Workers in livestock, forestry, fishing, hunting and plantations, orchard and allied activities.

"Social sector" includes unorganized sector, informal sector, economically vulnerable or backward classes and other categories of persons, both in rural and urban areas.

Unorganized sector includes self-employed workers such as agricultural labourers, bidi workers, brick workers, carpenters, cobblers, construction workers, handicraft artisans, handloom workers, lady tailors, leather and tannery workers, street vendors, primary milk producers, rickshaw pullers, salt growers, sericulture workers, sugarcane cutters, washerwomen, working women in hills, or such other categories.

Informal sector includes small scale, self-employed workers typically at a low level of organization and technology, with the primary objective of generating employment and income, with heterogeneous activities, with the work mostly labour intensive, having often unwritten and informal employer-employee relationship.

Economically vulnerable or backward classes mean persons who live below the poverty line.

Other categories of persons include persons with disabilities and who may not be gainfully employed, as well as persons to tend to persons with disability.

METHODOLOGY:

The present study is of analytical and exploratory in nature. Secondary source of data collection have been adopted for the study [the relevant and required data are collected from RBI – Bulletin/Reports (various issues) as well as annual reports of IRDA, IRDA web-site, IRDA journals, national& International article and other literature available in the field].

OBJECTIVES OF THE STUDY:

- To compare the insurance policies offered by the major Life Insurance Companies of India.
- To identify the best possible Insurance deal suitable to the rural areas, socially and economically backward classes, children and business people etc.

REVIEW OF LITERATURE:

1. **Jain and Goyal (2012)** noted that the insurance industry is in existence since long, the level of awareness towards the rights and duties regarding insurance are negligible. The study tries to understand the awareness of the people towards the rights and duties towards life insurance products after the privatization of the insurance sector. To actually understand this, a primary research was conducted to find out the level of awareness towards the rights and duties of the policy holders across demographic profiles and about the level of awareness towards life insurance policies prevailing in the market. Chi-square test was used to test the significance of the relationship. The analysis is based on a sample of 117 individuals from randomly selected general public. A significant association between the demographic determinants and the awareness towards the rights and duties regarding life insurance was found showing low level of awareness towards rights and duties among the policy holders of life insurance. The study was undertaken in Rajasthan and the methodology can be comfortably applied to the country as a whole.
2. **Negi and Singh (2012)** stated that understanding the consumer's perception and attitude towards insurance and creating an insurance culture is essential in facilitating the success of insurance services. A better understanding of consumer's behavior through demographic analysis can play an important role in predicting demand for insurance. However, emerging new complex financial products and changes in the preferences of people for preventing their risks make it difficult. The study aims to find out the relationship of demographic characteristics of the respondents with five important factors influencing the purchase of a life insurance product namely product quality and brand image, service quality, customer friendliness, brand loyalty and commitment. Product Quality and Brand Image came out as the highest ranking factors while Brand Loyalty has been rated as the least important factor. It has been further observed that these factors vary significantly across various demographic characteristics of the respondents.
3. **Karthiga and Vadivalagan (2012)** expressed that the Indian Insurance Industry is as old as it is in any other part of the world. There were number of foreign and Indian insurers operating in the Indian market. Regulations were passed to regulate the Indian insurers but not the foreign companies providing insurance services in India. Analysis and understanding of prospective buyers of life insurance according to their demographic characteristics in specific geographical regions thus becomes important. This will enable the insurers to better prepare their marketing strategies as per the requirements of the people in the region.
4. **Thakkar (2012)** found that to know the investment behavior of individuals with related to life insurance and also to know the problems faced by them. The study was conducted amongst the investors (policy holders) of Kolhapur city. His study revealed that Insurance Advisor is the main influencer in buying decision of life insurance consumers. They depend largely on the insurance advisor.
5. **Dar (2013)** carried out a community-based cross-sectional study towards the awareness of life insurance in the population of Jammu and Kashmir State. A total number of 242 respondents from 242 households were interviewed by using a pretested questionnaire after obtaining informed consent from the participants. The awareness of life insurance was found to be 64.0 per cent. Around 45.0 per cent of the respondents came to know about life insurance from the media which played an important role in the dissemination of information. The mean premium amount agreeable to be paid by the respondents for life insurance was found to be Rs.1804.00; even the low socio-economic group of people was also willing to part with a reasonable amount of Rs. 697.00 annually for life insurance. The middle and low socio-economic groups favored government life insurance compared to private life insurance as they have more faith on Government Company. The findings indicate that government should come out with a policy, where the public can be made to contribute to a life insurance scheme to ensure unnecessary events and also better utilization of life insurance facilities.
6. **Gaikwad and Vibhute (2013)** observed that the insurance industry is in a turbulent situation. This study will facilitate the insurance companies to know the opinions of customers regarding insurance industry and specifically opinions towards traditional and ULIP plans. Along with this, the company and advisors would understand the exact demand of samples, the parameters of customer satisfaction,

factors customers consider while selecting the policy and opinions on advisors advocacy by which company and advisors can design their sales program, sales speech, local strategies and the like. A study was conducted among policy holders in Kolhapur city, India. The researcher concluded that the LIC is the major player amongst sample customers. Traditional plans are preferred more by samples followed by ULIP and customer's preferences for selecting the insurance company are inclined towards service quality, reputation, trustworthiness and future plans/ vision of a company

7. **Narendar and Sampath (2014)** observed that the level of awareness towards the rights and duties regarding insurance is negligible. The study tries to understand the awareness of the people towards the rights and duties towards life insurance products after the privatization of the insurance sector with special reference to Indian insurance sector. To actually understand this, a primary research was conducted to find out the level of awareness towards the rights and duties of the policy holders across demographic profiles and about the level of awareness towards life insurance policies prevailing in the Indian market. The study totally concentrates on the individual behavior, attitudes and also crating the awareness regarding their contribution on Indian insurance sector.

ANALYSIS AND INTERPRETATION

On comparing the life insurance products offered by various Indian Insurers and also based on the policies offered by Government of India in the field of life insurance sector, the best suited products for different risk groups are outlined below:

I. Best life insurance products for rural &socio-economic backward classes:

	Name of the Plan	Entry age	Maximum Maturity age	Minimum Premium	Minimum Sum assured	Specialties'
1	Aam Aadmi Bima Yojna Offered by LIC	18 – 59 years	59 years	200 p.m.	30,000/-	a. The member should normally be the head of the family of one earning member of the Below Poverty Line or marginally above the poverty line or rural landless household. b.50%will be subsidized from the social security fund and in case of Rural Landless Household remaining 50% premium shall be borne by the state Govt./Union Territory.
2	Pradhan Mantri Jeevan Jyoti Bima Yojana(PMJJBY) Offered by LIC & other life insurers who are eager to take part can join it	18 – 50 years	55	300 per annum	2,00,000	Low premium. It's basically a term insurance that can be renewed either on a yearly basis or for a

	through tie-ups with specific banks.					longer period of time. It will provide life insurance coverage on the death of the policyholder.
3	Pradhan Mantri Suraksha BimaYojana	18-70 years	70	Rs 12 per annum	2,00,000	Very low premium. Its a one year cover personal accident insurance scheme, renewable from year to year, offering protection against death or disability due to accident

II. Best life insurance products for children :

	Child Plans	Entry age	Maximum Maturity age	Minimum Annual Premium	Minimum Sum assured	Specialties'
1	Bajaj Allianz Young Assure	18 – 50 years	60 years	N/A	10 times Annualized premium	a. Policy will ensure that there is adequate cash available for important events like paying for your child's higher education, your child's marriage and other important landmark events. b. Accidental Permanent Total Disability benefits can be availed

2	Birla Sun Life Insurance Vision Star Plus	18 - 55years	75 years	N/A	Rs. 1.00,000	In case of the demise of the policy holder, the nominee will receive the death benefit. Also, if you discontinue paying your premiums after at least three years, your policy will not lapse, but it will continue operating on a reduced paid-up basis
3	Max Life Shiksha Life Super	21 – 50 years	65 years	Rs. 25000/-	Rs. 50000/-	You can take your pick from five options, each covering different risk levels. In case of the demise of the insured, there is a lump sum pay out, along with family income benefit and funding of the benefit for premium.
4	ICICI Pru Smart kid Assure plan	20 - 60 years	75 years	Rs. 15000/-	5times the annual premium	You can exercise control over your investments by choosing between eight funds, which are equity, debt and balanced funds for investment. Also, you can switch between these funds anytime.
5	Aegon Life EduCare Advantage Insurance Plan	20 – 60 years	75 years	N/A	Rs. 100000/-	This is a traditional child education plan with money back facility. Simple reversionary bonus and terminal bonuses (if any) are paid out along with maturity benefit as well as death benefit
6	HDFC SL Young Star Super Premium	30 - 60 years	75 years	Rs. 24000/-	Subject to underwriting	This is a Unit Linked Insurance Plan(ULIP) . In case of the policy holder's demise, there will be regular yearly pay-outs made to the family

7	Aviva Young Scholar Advantage Plan (Child Education Plan)	21 – 45 years	60 years	10 – 25 years	10 times the annual premium	This is a non-participating unit-linked child education plan. This plan allows you to create wealth for future through market investments(seven varied funds are available)
8	MetLife College Plan (Child Education Plan)	20 – 45 years	69 years	12 – 24 years	Rs. 2,12,040/-	This child education plan is a type of non-linked deferred participating endowment plan. Along with maturity benefits and survival benefits, guaranteed additional bonuses are paid out.
9	SBI Life Smart Scholar (Child Education Plan)	18 – 57 years	65 Years	8 – 25 years	10/7 times the annual premium (regular pay) 1.25 times single premium (single pay)	Unit-linked non-participating child education plan which provides the premium waiver benefit, accidental death benefit and accidental total and permanent disability benefit riders.

III. **Best life insurance products for business people**

The 5 best life insurance policies in India.

1. New Jeevan Anand (LIC) –
Considering past performance, this insurance comes at the top as it completely fits the perception of a life insurance that a consumer wants. The New Jeevan Anand plan from the LIC Life insurance is a mixture of dual benefits including protection as well as a savings plan. This transforms into the usual security against your ill-timed death in terms of financial assistance for your family as well as maturity benefits if you survive the policy term period. The multifaceted approach of this insurance policy makes it one of the best life insurance policies available in India.

2. HDFC SL Crest –
It is basically a short term unit linked insurance (ULIP) plan that works on the premise of assisting you in achieving your investment goals in a relatively short period of 10 years, whereas alongside providing the required financial cover to your family against the potential perils emerging from your ill-timed demise. As a consumer you have to pay the premiums for just 5 years to enjoy market linked returns for the comprehensive duration of 10 years.

3. SBI Life Insurance– eShield If you are searching for a robust life insurance policy, then this is what you are looking for. It is one of the trusted life insurance policies as the name of SBI is associated with it. It is a comprehensive term plan that is non linked and non participating in nature. This policy is best for those who are looking for financial protection that provides complete peace of mind and domain capability that will surely be supplied by SBI Life.

4. SBI Life Insurance – Shubh Nivesh Yet another versatile product from SBI Life. It is a non-linked entity that provides dual benefits of endowment assurances and whole life coverage as well. This policy permits for maturity benefits- a lump sum amount paid in case you live through the tenure period, or conversion of the payable amount into a regular income source for a chosen duration of time. Alternatively, your family enjoys the financial benefits in case of your unfortunate demise during the policy tenure.

5. AEGON Religarei Term Plan : This plan ensures the protection of your family at a part of the conventional cost. It is a trouble-free, robust, scalable and efficiently managed plan. Nowadays, the most common confusion among the life insurance buyers is the reliability of online life insurance plans. There are many life insurance plans available in the online as well as offline market which varies by prices and even features. People usually ask: Are life insurance plans reliable? If so, then why do companies offer their plans at a lower premium, online as compared to traditional offline life insurance plans. Don't get confused; let us tell you the fact behind the same. Online insurers offer insurance plans at lower prices due to the lower distribution costs as compared to the offline companies which are present in limited cities and want better profiles of the consumers.

Life Insurance Business Performance:	2015-16		2014-15	
	Public Sector	Private Sector	Public Sector	Private Sector
Premium Underwritten (Rs in Crores)	266444.21	100499.02	239667.65	88433.49
New Policies Issued (in Lakhs)	205.47	61.92	201.71	57.37
Number of Offices	4892	6179	4877	6156
Benefits Paid (Rs in Crores)	141201.05	60565.05	144125	67054
Individual Death Claims (Number of Policies)	761983	114697	755901	121927
Individual Death Claims Amount Paid (Rs in Crores)	9690.17	2946.49	9055.18	2733.49
Group Death Claims (Number of lives)	247504	297833	273794	192989
Group Death Claims Amount Paid (Rs in Crores)	2494.03	2303.00	2037.27	1483.55
Individual Death Claims (Figures in per cent of policies)	98.33	91.48	98.19	89.40
Group Death Claims (Figures in per cent of lives covered)	99.69	94.65	99.64	91.20
No. of Grievances reported during the year	64750	139951	80944	198048
Grievances resolved during the year	64750	145125	80944	193119
Grievance Resolved (in percent)	100	103.69	100.00	97.51

Source: Annual Report (2015-16 & 2014-15)

CONCLUSION:

The life insurers in India are developing new products but even though its penetration among different risk groups is low. If the products are developed by a thorough demographic analysis across the country to understand the consumer needs; then life insurance coverage of Indian people can be improved to a larger extent. The study focus on different risk groups such as rural people, socially & economically backward classes because they constitute the majority of population. The study reveals that, improvement in the awareness level of rural people, customized insurance products, improvised distribution networks with innovations, variation in pricing of premiums for rural, socially & economically week people, option for paying the premiums at harvesting time for rural mass(since agriculture is the main source of income for rural people) and increase in the number of social security life insurance plans wherein some portion of the premiums are borne by the Government in the form of subsidy are the keys for bringing the different risk groups under the coverage of life insurance. The officials of distribution network must be trained properly to disseminate the information about the products clearly to the common people. In addition, a better customer service mechanism must be laid down and importantly the life insurance products must be incorporated with variety of need based riders also such as provisions for crop failure, drought, health risks etc so that it can act as an additional cover.

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