Importance of Life Insurance in Humans with Special Reference to LIC and Others

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ABSTRACT
Life is open to risks and uncertainties of so many kinds. There are risks of death and disability for human life, and burglary risk for property and so on. In case of occurrence of any of the events, the individuals or organization may suffer a great loss. In order to minimize the impact of such uncertainties, there is a need for ‘insurance’. So insurance is a contract between two parties, whereby one party agrees to indemnify (cover) the loss suffered by the other party for a consideration of some money, known as premium.

Key Terms: Life Insurance, Human Life, LIC, Private Players (Others)

INTRODUCTION
Basic Terminology of Insurance
- Insurer: The individual or firm who does the insurance, i.e. who takes the responsibility of risk and compensate the loss of insured is called insurer or also known as insurance company.
- Insured: the individual or firm whose insurance is done, i.e. whose responsibility of risk is taken by insurer and he gets compensation of loss is called insured. Insured pays regular amount of premium to insurer.
- Premium: The fee charged by the insurer on account of providing services is called premium. It is paid quarterly, half-yearly or annually.
- Policy: The document of the contract of insurance which contains the terms and conditions related to the contract of insurance is known as policy.
- Sum Assured: the amount for which insurance policy is taken is known as sum assured.

History of Insurance
Life insurance came from England in 1818 in India. The foreign life insurance companies started insuring Indian’s lives. But they charged heavy extra premiums and treated Indian’s lives as sub-standard. In 1870 the first Indian life insurance company Bombay Mutual Life Assurance Society came into existence and started to cover Indian lives at normal rates. In 1896 Bharat Insurance Co. Ltd was another one of such companies inspired by nationalization. In 1905 to 1907 gave rise to more in insurance sector. In 1906 there was the United India in Madras, National Indian and National Insurance in Calcutta. In 1912 LIC Act and Provident Fund Act were passed. LIC made a reasonable premium rate table and periodical valuations of companies should be certified by an actuary. Indian Insurance market was nationalized in 1956 and LIC of India was only the main player in the Indian insurance market and enjoyed monopoly for more than 4 decades. In 2000 Insurance Development Regulatory Authority has setup and after this private players are allowed to operate in collaboration with foreign insurance companies.

OBJECTIVES
Importance of proposed Research Work
The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find out the truth which is hidden and which has not been discovered as yet. Following are the objectives of my present research.
- To know the importance of life insurance in human life
- To evaluate the performance and operating efficiency of LIC of India in comparison of private insurance companies.

LITERATURE REVIEW
The study of perceptions and preferences of policyholders towards insurance products offered by LIC of India in Tirunelveli District is the first of its kind.
However, there are certain studies related to the overall perceptions and preferences of policyholders of the public Life Insurance Companies. The reviews of related literature presented in this chapter are the overall perception and preference of policyholders towards life insurance companies in India.

Mishra, K.C. & Simita Mishra have stated in their research article “Insurance Industry: Recipe for a Learning Organization” he says that like any other concern, insurance sector in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

Balasubramanian, T.S. & Gupta, S.P. wrote in their book on “Insurance Business Environment” Balasubramanian explained the length the Indian pictures of the system of Insurance. He showed the impact of the globalization and the liberalization the environment of insurance business.

MitraDebabrata wrote in his research “Employees and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India” he opines that the govt. organization provide all the facilities and various types of amenities to its employees together with usual ointments. But, the rate of production is low when it compared with the private undertakings or private companies. In this Division, the relation of employee with the Life Insurance Company is discussed clearly and there are number of suggestions are also has been provided in the research.

Wadikar Ashok Laxaman wrote in his research work on “Innovativeness in the Insurance Industries”, he confirmed the general opinion that in every activity the innovation alone dominates the industry.

BalachandWran, S. stated in his manuscript on “Customer Driven Services Management” conclude that the industry of insurance is speedy rising and frequently suitable a client ambitious and client centric lone. He also advocate that when the products of insurance are eye-catching to the clients, then only the industry of insurance flourishes in the marketplace and serve its function of profit earning and also income generation.

Srivastava, D.C. & Srivastava, S. wrote in their volume on “Indian Insurance Industry–Transition and Prospects” he discussed analytically the monetary importance of insurance sector, its involvement to Indian economy and the transitory predictions and challenges of insurance industry due to liberalization and the opening up of the industry to private insurance companies.

Mark S. Dorfman stated in “Introduction to Risk Management and Insurance” in his book he reviews the prominent characteristics of the insurance sector and also the part played by the private companies. He discussed in his book the different types of insurance mediators with suitable examples.

Charles P Jones elaborated in book on “Investment Analysis and Management” he explained clearly about the outline for assessing portfolio enactment through risk and return considerations. He discussed the Risk adjusted measures of performance and also the difficulties associated with Portfolio Dimension.

Ajay Mahal wrote a research paper title “Assessing Private Health Insurance in India–Potential Impacts and Regulatory Issues” declares that on entry of private insurance (health) companies is likely to have an impression on the charges of health care, equity in the financing of care and the quality and cost-effectiveness of such care. Dan Segal Leonard N. he is Stern School of Business “An Economic Analysis of Life Insurance Company Expenses” has analyzed the operating expenses of the Life Insurance sector.

**METHODOLOGY**

Data Collection: The present study covers primary as well as secondary data. The secondary data and information have been extracted from Annual Reports LIC of India and other private companies. Primary data have been taken with the help of questionnaire. Anova will be used to measure the variance in the performance of the study apart from doing the descriptive statistics. Chi Test have been used for analysis.

Sampling: The Insurance industry now a day has so many Life Insurance institutions in India; the researcher will select LIC of India and four other private insurance companies as a sample.

Tools & Techniques of the Study: The researcher has used the tools as per the need and type of the study. The information so collected has been classified, tabulated and analysed as per the objectives of the study. As per the nature of the data available the graphical presentation was also done. As per the objectives of the study T-test and various statistical techniques was applied.

Significance of the study: Life insurance is a very significant factor in human life. The present study gives the perfect knowledge of the performance of life insurance and private players in the field of Insurance.

Hypothesis of the study: Following is the hypothesis of the study.

**H0:** There is no significant contribution of LIC in comparison to private insurance companies during the period of study.

**H1:** There is significant contribution of LIC in comparison to private insurance companies during the period of study.

**IMPORTANCE**

The present study show the importance of Life Insurance in Human Life. As we know, present day showcasing begins with the buyer and finishes with the shopper. Fulfillment of the customers turns into the most essential objective of a business undertaking. The way to guarantee buyer fulfillment lies in understanding the customer, his preferences, his desires and inspiration. So during the study I classify the 280 respondents and analyze as given below.

**DATA ANALYSIS**

- **Age Wise Classification of Respondents**

Age is one of the critical elements choosing the view of the individual. The observation about the fulfillment of protection administration may contrast with respect to the age of the example respondents. Consequently information identifying with age of the respondents are gathered, grouped and appeared in the accompanying table.

<table>
<thead>
<tr>
<th>Age</th>
<th>LIC of India</th>
<th>% age</th>
<th>Other Private Companies</th>
<th>% age</th>
<th>Total</th>
<th>% age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 30</td>
<td>32</td>
<td>22.85</td>
<td>37</td>
<td>26.42</td>
<td>69</td>
<td>24.64</td>
</tr>
<tr>
<td>30-40</td>
<td>30</td>
<td>21.43</td>
<td>34</td>
<td>24.28</td>
<td>64</td>
<td>22.85</td>
</tr>
<tr>
<td>40-50</td>
<td>43</td>
<td>30.71</td>
<td>33</td>
<td>23.57</td>
<td>76</td>
<td>27.14</td>
</tr>
<tr>
<td>50 above</td>
<td>35</td>
<td>25</td>
<td>36</td>
<td>25.71</td>
<td>71</td>
<td>23.55</td>
</tr>
<tr>
<td>Total</td>
<td>140</td>
<td>100</td>
<td>140</td>
<td>100</td>
<td>280</td>
<td>100</td>
</tr>
</tbody>
</table>

From the above Table , it is inferred that 22.85% of sample respondents of Life Insurance Corporation of India belong to the age group of below 30 years old whereas 26.42% of sample respondents of Private Insurance Companies belong to below 30 years old; 21.42% of them fall under the age group between 30 and 40 years in Life Insurance Corporation...
of India whereas 24.28% of them fall under the age group between 30 and 40 years in Private Insurance Companies; 30.71% of them belong to the age group between 40 and 50 years in LIC whereas 23.57% of them belong to the age group between 40 and 50 years in Private Insurance Companies and 25% of them are 50 years and above in LIC whereas 25.35% of them are 50 years and above in Private Insurance Companies.

A hypothesis is framed as follows

H0: there is no significant relationship between age of the sample respondents and their choice of insurance service provider.

<table>
<thead>
<tr>
<th>Test used</th>
<th>Degree of freedom</th>
<th>Level of significance</th>
<th>Calculated value</th>
<th>Table value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>3</td>
<td>5 Percent</td>
<td>4.993</td>
<td>7.81</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

This shows that there is no significant relationship between the age of the sample respondents and their choice of insurance service provider.

Sex Wise Classification of the Sample Respondents

Generally sex of the person is considered to be an important factor which influences to opt for insurance service. As far as the male group of consumers is concerned, they are mostly engaged in business, employment or profession. Normally they get opportunity to get into contact with various organization and social groups. However, women normally do not freely engage in business, employment or profession and hence they do not get opportunity to get in to contact with others. Hence data relating to sex of the sample respondents are collected and shown in Table 2.

<table>
<thead>
<tr>
<th>Sex</th>
<th>LIC of India % age</th>
<th>Other Private Companies % age</th>
<th>Total % age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>91</td>
<td>65</td>
<td>75</td>
</tr>
<tr>
<td>Female</td>
<td>49</td>
<td>35</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>140</td>
<td>100</td>
<td>240</td>
</tr>
</tbody>
</table>

From above Table, it is inferred that 65% of sample respondents of LIC are male whereas 53.57% of sample respondents of private insurance companies are male; 35% of sample respondents of LIC are female whereas 46.43% of respondents of Private Insurance Companies are female.

A Hypothesis is framed as Follows

H1: there is no association between sex of the respondents and their choice of insurance service provider.

<table>
<thead>
<tr>
<th>Test used</th>
<th>Degree of freedom</th>
<th>Level of significance</th>
<th>Calculated value</th>
<th>Table value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>1</td>
<td>5%</td>
<td>10.3</td>
<td>3.841</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Since the calculated value is more than the table value, then hypothesis is rejected. Hence there is an association between sex of the sample respondents and their choice of the insurance service provider.

Purpose Wise Classification of the Sample Respondents

<table>
<thead>
<tr>
<th>Usage</th>
<th>LIC of India % age</th>
<th>Other Private Companies % age</th>
<th>Total % age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax benefits</td>
<td>31</td>
<td>22.14</td>
<td>57</td>
</tr>
<tr>
<td>Medi-claims</td>
<td>37</td>
<td>26.43</td>
<td>49</td>
</tr>
<tr>
<td>Loans</td>
<td>72</td>
<td>51.43</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>140</td>
<td>100</td>
<td>140</td>
</tr>
</tbody>
</table>

From above Table, it is inferred that 22.14% of respondents of LIC have used insurance service to get tax benefits whereas 26.43% of respondents of Private insurance have used it to get tax benefits; 26.43% of respondents of Life Insurance Corporation of India have used it Medi-claims whereas 35% of respondents of private insurance have used it to get Medi-claims; 51.43% of respondents of Life Insurance Corporation of India have used it to get loans whereas 38.57% have used it to get loans.

A hypothesis is framed as follows

H0: Respondents of Private players and Life Insurance Corporation of India do not differ significantly with reference to the usage of insurance service for several purposes.

<table>
<thead>
<tr>
<th>Test used</th>
<th>Degree of freedom</th>
<th>Level of significance</th>
<th>Calculated value</th>
<th>Table value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>2</td>
<td>5%</td>
<td>14.844</td>
<td>5.991</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Since the calculated value is more than the table value at 5% significance level, the hypothesis is rejected. Hence the respondents of Life Insurance Corporation of India and Private insurance differ significantly with reference to the usage of insurance service for several purposes.

Importance of Insurance Sector on the Bases of Claims Settlement Ratio

What is the meaning of Claim Settlement Ratio?

Claim Settlement Ratio is the indicator how much death claims Life Insurance Company settled in any financial year. It is calculated as the total number of claims received against the total number of claims settled. Let us say, Life Insurance Company received 100 claims and among that it settled 98, then claim settlement ratio is said to be 98%. Remaining 2% claims the Life Insurance Company rejected.

Based on this, we can easily assume how much customer friendly they are in dealing with death claims. However, I warn you that this claim settlement ratio is raw data.

Table 4: Claims Settlement Ratio for the year 2015-16

<table>
<thead>
<tr>
<th>Insurer</th>
<th>CSR for 2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Insurance Corporation of India</td>
<td>98</td>
</tr>
<tr>
<td>ICICI Prudential</td>
<td>96</td>
</tr>
<tr>
<td>HDFC Standard Life Insurance Company Limited</td>
<td>95</td>
</tr>
<tr>
<td>SBI Life</td>
<td>93</td>
</tr>
<tr>
<td>Bajaj Allianz Insurance Company Ltd.</td>
<td>91</td>
</tr>
<tr>
<td>Private Players Average</td>
<td>93.75</td>
</tr>
<tr>
<td>Life Insurance Corporation of India</td>
<td>98</td>
</tr>
</tbody>
</table>

Higher Claims Settlement Ratio (CSR) Table 4 shows the highest claims settlement ratio for 2015-16 of 98% on Life Insurance Corporation of India. It means for every 100 claims that Life Insurance Corporation of India received in the year. It gives the benefits to 98. This is shows great achievement of Life Insurance Corporation of India, for doing it. Now it does not mean that remaining 2 claims were rejected. Out of these some claims may be still in processing, whereas some may have been rejected with solid reasons. Life Insurance Corporation of India also had the highest claims settlement ratio for the year 2014-15 also.
Lower Claims Settlement Ratio (CSR) In this category we have four private companies like ICICI, HDFC, SBI and Bajaj Allianz Insurance Company Ltd. is lower than in comparison to Life Insurance Corporation of India.

FINDINGS

Age Wise Classification of Respondents
From the Table 1, it is inferred that 22.85% of sample respondents of Life insurance Corporation of India belong to the age group of below 30 years old whereas 26.42% of sample respondents of Private Insurance Companies belong to below 30 years old; 21.42% of them fall under the age group between 30 and 40 years in Life Insurance Corporation of India whereas 24.28% of them fall under the age group between 30 and 40 years in Private Insurance Companies; 30.71% of them belong to the age group between 40 and 50 years in LIC whereas 23.57% of them belong to the age group between 40 and 50 years in Private Insurance Companies and 25% of them are 50 years and above in LIC whereas 25.35% of them are 50 years and above in Private Insurance Companies.

Sex Wise Classification of the Sample Respondents
From Table 2, it is inferred that 65% of sample respondents of LIC are male here as 53.57% of sample respondents of Private Insurance Companies are male; 35% of sample respondents of LIC are female whereas 46.43% of respondents of Private Insurance Companies are female.

Purpose Wise Classification of the Sample Respondents
From Table 3, it is inferred that 22.14% of respondents of LIC have used insurance service to get tax benefits whereas 26.43% of respondents of Private insurance have used it to get tax benefits; 26.43% of respondents of Life Insurance Corporation of India have used it Medi-claims whereas 35% of respondents of private insurance have used it to get Medi-claims; 51.43% of respondents of Life Insurance Corporation of India have used it to get loans whereas 38.57% have used it to get loans.

Importance of Insurance Sector on the Bases of Claims Settlement Ratio

Higher Claims Settlement Ratio (CSR) Table 4 shows the highest claims settlement ratio for 2015-16 of 98% on Life Insurance Corporation of India. It means for every 100 claims that Life Insurance Corporation of India received in the year. It gives the benefits to 98. This is shows great achievement of Life Insurance Corporation of India, for doing it. Now it does not mean that remaining 2 claims were rejected. Out of these some claims may be still in processing, whereas some may have been rejected with solid reasons. Life Insurance Corporation of India also had the highest claims settlement ratio for the year 2014-15 also.

Lower Claims Settlement Ratio (CSR) In this category we have four private companies like ICICI, HDFC, SBI and Bajaj Allianz Insurance Company Ltd. is lower than in comparison to Life Insurance Corporation of India.

SCOPE
The present study covers Primary as well as secondary data of the life insurance sector during the period of the study. Besides, claim settlement in the field of insurance sector, the researcher also study the references and views of the respondent in the field of the life insurance.

LIMITATION
It should be noted that the suggestions and conclusion viewed here would be asper the data collected by the researcher. As we are not gathering our own information, first-hand, we are totally dependent on someone else's efforts. Primary researcher may have been biased or may have used questionable methods to collect data; this can be pretty risky for secondary researchers to base their report on such data.

CONCLUSION
As we know the customer service is most important in each type of business activities. The expectations of customer are increasing day by day. For any business the customer satisfaction admit the most important segment from the point of view of social aspect also. Therefore Indian insurance must develop its own body of concepts and principles revolving around distinctive characteristics of services tempered with the imperatives of Indian situation. The Private players enter with their new innovative products and strategy with better customer services and capture the market share so there is tough competition to Life Insurance Corporation of India in near future. However Life Insurance Corporation provides all kinds of facilities and amenities to employees along with usual remunerations. But the productive rate of Life Insurance Corporation of India is low in comparison of private sector companies. It is concluded that claim settlement ratio of the LIC is better than the private insurance companies, so LIC plays important role in fulfilling the customer needs as comparison to private companies. The claims settlement ratio of the government undertaking is much better than the private companies during the study period. People's trust on the LIC as comparison to Private Companies.

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