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**A Study on Awareness and Preferences of Individuals in the Life Insurance Sector**

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**ABSTRACT**

*In this fast paced evolving environment, almost all sectors experience shift in their functionality from time to time. The insurance industry is no exception to this evolution. With entry of private players in the life insurance market during early 2000s, this sector has witnessed constant growth and penetration in the Indian market. This research paper is written to identify the awareness and preferences of individual amongst all 24 life insurance companies operating in India. The researcher analyses whether the individual's preference and degree of awareness influence them while choosing a life insurance company. The data was collected with a help of a structured questionnaire from 100 individuals belonging to Tier 1 and Tier 2 cities. Sample was taken on the basis convenience. Chi square test has been conducted to test the hypothesis and analyze the collected primary data. When data was analyzed on the preference of the respondents, majority of them preferred LIC. Other than LIC, the second most preferred company was HDFC Life followed by ICICI Prudential and SBI Life. It was inferred from the data that there is no significant relationship between awareness and policy taken from a life insurance company. Another major finding of the research was that almost 73% of the respondents desired to have a better service from their insurance companies.*

**Keywords:** Life Insurance, Awareness, Preference, Chi-square

**INTRODUCTION**

The Insurance industry in India has seen a tremendous evolution in the last decade. With major growth and a huge increase in the number of advanced products, it has also increased competition in the market and also rendered great outcome to the Indian economy. According to EY-ASSOCHAM report, the insurance industry has remained to be one of the fastest flourishing markets with Compound Annual Growth Rate (CAGR) of 12 % from past 5 years i.e. from FY 14 to FY 19. As of 2018, India is the 11th largest insurance market in the world and has bagged 10th position in the life insurance sector in terms of the total premium.

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According to IRDAI, the life insurance sector recorded a growth of 10.75 % with the premium collection of Rs.508132 crore in FY 2018-2019 as against Rs.448809 crore i.e. 9.64 % in the previous financial year. Life Insurance Corporation of India, continues to be the market leader with 52.78% share new business market share in FY 2019 as it recorded a growth of 6.06%.

It was observed further, on the basis of total premium income the market shares of LIC decreased from 69.36 % in FY 2017 - 18 to 66.42 % in FY 2018 – 19. On the other hand, it is noticed that the market share of private insurers has witnessed a growth from 30.64 % in 2017 – 18 to 33.58 % in 2018 – 19. It is also registered that even though Life Insurance Corporation of India has about 66.42% of total premium yet it has seen a decline in its market share as compared to previous year. On the other hand, the private life insurers have witnessed a growth in the total premium as compared to the previous year which means the private companies have seen a boom in their overall business in the FY 19 as compared to previous fiscal year.

It is inferred from the above information that insurance market has started penetrating well in the Indian environment, in order to study the awareness of individuals about the life insurance companies operating in India. The primary data is collected through google forms and analyzed. This data recorded 100 responses.

## **REVIEW OF LITERATURE**

In a research conducted by Namasivayam et al. (2006) on the topic titled “Socio-economic factors influencing the decision in Taking Life Insurance Policies” with an objective to study and analyze the socio-economic factors responsible behind taking policies, it was observed that factors like age, educational level and gender of the policy holders are insignificant on the other hand income level, occupation and family size were significant factors while deciding on taking an insurance policy. Further, it was inferred that respondents belonging to the age bracket between 31 to 40 years were considerably curious about taking a life assurance policy. This paper helped us understand the various factors which influence an individual’s policy buying behavior and provided certain factors to serious consideration while formulating our questionnaire.

In a similar paper written by Raman & Gayatri (2004), it was noted that an outsized percentage of the insured respondents was professionals and married individuals. It was also observed that the majority of the respondents took a policy to hide the danger and to avoid tax and therefore the remaining to take a position the excess amount. This study suggests of that understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. Empathy towards customers is considered one of the strongest tools of generating revenue in this study

According to Das et al. (2007), Life insurance policies are no longer seen solely as a means of insuring life. As new attributes are introduced by life insurers, they are now

seen in new light of serving savings as well as investment purposes besides the basic purpose of insuring life. However, this also affects the investing preference of the investors as the simple motive is not just to get a life protection but to also to opt for a policy which provides higher returns at low premiums (comparatively) and is less risky than most of the investment products. We have carried this research further in order to understand the degree of awareness and preferences of individuals towards life insurance companies in this dynamic environment to contribute in understanding the individual's behavior towards the life insurance companies operating in India.

## **OBJECTIVES**

1. To Analyze Awareness of Life Insurers operating in India.
2. To study the preferences of individuals among the registered and operating Life Insurers in India.

## **RESEARCH METHOD**

In order to achieve the mentioned said objectives, following Research Methodology has been carried out. This methodology is decided after study of literature review discussed earlier.

**Type of Research Design:** For this study, Descriptive Research design is used. Various facts are described on the basis of primary data analysis.

**Sources of Data:** In primary data, opinion of investors who have at least invested some amount in life insurance or are willing to invest in near future is collected.

**Sample Size:** The Sample Size is 100. The data has been collected on the basis of accessibility of respondents.

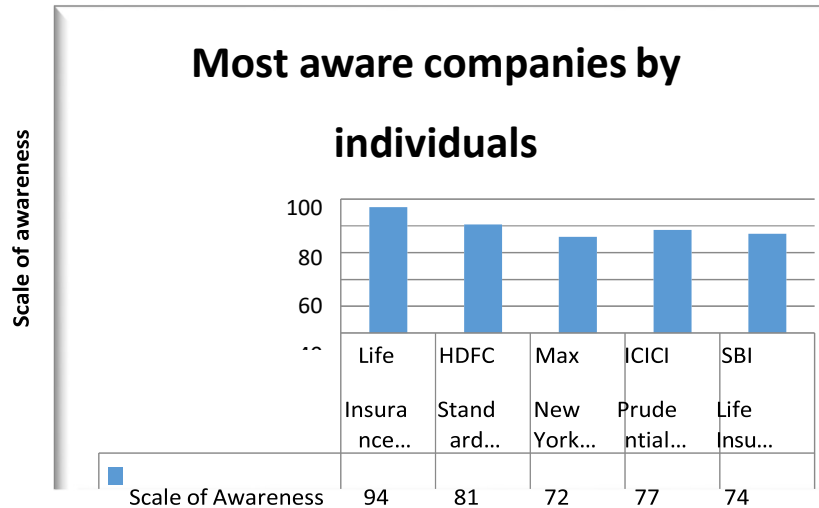
**Sample Method:** Convenience Sampling Method. Instrument: Structured Questionnaire, which was circulated via Google forms.

**Scope of Study:** This study is conducted in Tier 1 and Tier cities i.e. Pune, Bangalore, Bhopal, Varanasi, Allahabad, New Delhi, Panipat, Ranchi and Jhansi. Therefore, outcome may be applicable to investors residing in these cities only. Hence, the scope of this study is limited to these cities only. Researchers may conduct a similar kind of study for any other city or part of the country and may take this research ahead.

## **DATA ANALYSIS**

### **Analysis of Awareness of Life Insurers operating in India**

From the data collected, it was observed that majority of the respondents are aware about LIC (Life Insurance Corporation of India) which is the only public sector company operating in India.



Majority of the respondents are aware about Bajaj Allianz, HDFC Life, ICICI Prudential, SBI life and Max New York Life. Almost over 50% of the respondents were aware about Aditya Birla Sun Life Co., Kotak Mahindra Life Co., Tata AIA Life Insurance Co., and PNB MET Life Insurance Co., for their Life insurance, as compared to other life insurance companies like Pramerica Life Insurance Co. Ltd., India First Life Insurance Co. Ltd., Star Union Dai-Ichi Life Insurance Co. Ltd. which least number of respondents were aware of.

#### Analysis of Insured respondents

It is observed that 75% of the respondents have invested or taken insurance with Life Insurance Corporation of India. Few respondents have gone for the private life insurance companies. Out of 24 life insurance companies, 10 life insurers are purchased by only 1-3 policy holder, 7 life insurance companies were such that not even a single respondent has taken their insurance plan from them. This indicates that these are those companies, whose market share and penetration is bare minimum in the market, therefore causing lack of awareness and willingness among respondents to consider buying these companies products.

**Table 1: Awareness and insurance taken by Individuals**

Insurers	Awareness	Insurance Taken
LIC Insurance Corporation of India (LIC)	94/100	75/100
HDFC Standard Life Insurance Co. Ltd.	81/100	24/100
Max New York Life Insurance Co. Ltd.	72/100	13/100
ICICI Prudential Life Insurance Co. Ltd.	77/100	7/100
Kotak Mahindra Life Insurance Co. Ltd.	65/100	6/100
Aditya Birla Sun-Life Insurance Company Ltd.	62/100	3/100
TATA AIA Life Insurance Co. Ltd.	48/100	3/100
SBI Life Insurance Company Limited	74/100	22/100

<b>Exide Life Insurance Co. Ltd.</b>	<b>21/100</b>	1/100
<b>Bajaj Allianz Life Insurance</b>	<b>67/100</b>	8/100
<b>PNB MET Life Insurance Co. Ltd.</b>	<b>53/100</b>	0/100
<b>Reliance Nippon Life Insurance Co. Pvt. Ltd.</b>	<b>29/100</b>	1/100
<b>Aviva Life Insurance Co. Ltd.</b>	<b>30/100</b>	0/100
<b>Sahara Life Insurance Co. Ltd.</b>	<b>24/100</b>	1/100
<b>Shriram Life Insurance Co. Ltd.</b>	<b>28/100</b>	0/100
<b>Bharti AXA Life Insurance Co. Ltd.</b>	<b>41/100</b>	1/100
<b>Future Generali Life Insurance Co. Ltd.</b>	<b>27/100</b>	1/100
<b>IDBI Federal Life Insurance Co. ltd.</b>	<b>30/100</b>	0/100
<b>Canara HSBC OBC Life Insurance co. ltd.</b>	<b>19/100</b>	1/100
<b>Aegon Life Insurance Co. Ltd.</b>	<b>17/100</b>	0/100
<b>Pramerica Life Insurance Co. Ltd.</b>	<b>8/100</b>	1/100
<b>Star Union Dai-Ichi Life Insurance Co. Ltd.</b>	<b>14/100</b>	0/100
<b>India First Life Insurance Co. Ltd.</b>	<b>13/100</b>	0/100
<b>Edelweiss Tokio Life Insurance Co. Ltd.</b>	<b>32/100</b>	1/100

From the above graph and table, it is clearly recorded that majority of the respondents have opted taking a life insurance policy from HDFC Standard Life Insurance Company, from the private sector companies. Almost 24% of the respondents have taken at least one policy from HDFC Life. Furthermore, it is observed that next most preferred company opted by the respondents is SBI Life Insurance Company Limited, almost 22 % of the respondents have bought at least one policy from SBI Life. Also, from the data collected from the annual report published by IRDAI, it was noticed that SBI Life was one of the highest premium collectors of the FY 2018 – 2019, which also depicts that the company's approaching the right audience with the right kind of products.

From the above information, it is interpreted that awareness of insurance companies and life insurance taken are interrelated. But, in order to check whether this relation is real or spurious, following hypothesis was tested:

H<sub>0</sub>: There is no significant relationship between awareness of a life insurance company and preference of buying insurance policy from that company.

H<sub>1</sub>: There is significant relationship between awareness of a life insurance company and preference of buying insurance policy from that company.

**Table 2: Pearson Chi Square Tests**

<b>Name of Life Insurance Company</b>	<b>Asymp. Sig.</b>
Life Insurance Corporation of India (LIC)	0.70372
HDFC Standard Life Insurance Co. Ltd.	0.05036
Max New York Life Insurance Co. Ltd.	0.09273
ICICI Prudential Life Insurance Co. Ltd.	0.09521
SBI Life Insurance Company Limited	0.04062
India First Life Insurance Co. Ltd.	NA
Kotak Mahindra Old Mutual Life Ins. Co. Ltd.	0.33150
IDBI Federal Life Insurance Co. Ltd	NA
Reliance Life Insurance Co. Ltd.	0.11581
Star Union Dai – Ichi Life Insurance Co. Ltd.	NA
Canara HSBC OBC Life Insurance co. ltd	0.02963
Aditya Birla Sun Life Insurance Co. Ltd.	0.15966
TATA AIA Life Insurance Co. Ltd.	0.03515
PNB Life Insurance Co. Ltd.	NA
Sahara Life Insurance Co. Ltd.	0.4831
Edelweiss Tokio Life Insurance Co. Ltd.	0.13376
Bajaj Allianz Life Insurance Company Ltd.	0.61587
Bharti AXA Life Insurance Co. Ltd.	0.16522
Pramerica Life Insurance Co. Ltd.	0.33617
Aegon Life Insurance Co. Ltd.	NA
Exide Life Insurance Co. Ltd.	0.05843
Shriram Life Insurance Co. Ltd.	NA
Aviva Life Insurance Co. Ltd.	NA
Future Generali India Life Insurance Co. Ltd.	0.54104

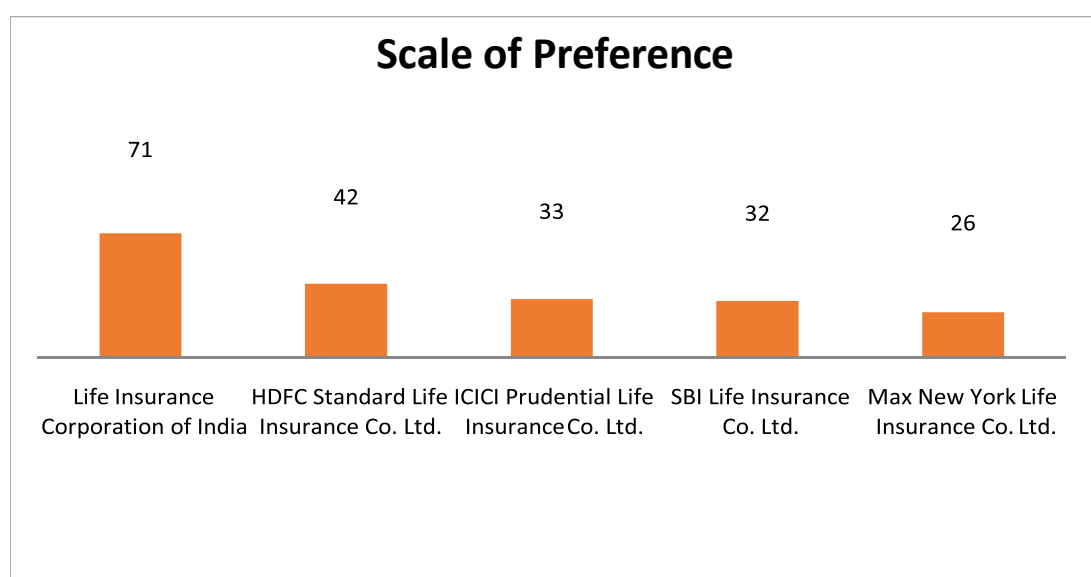
From above table, it can be seen that out of 24 companies, 5 companies are having significance values less than 0.05; there is significant relationship between awareness about those companies and state of policy of those companies taken by individuals. For 12 companies having their significance values more than 0.05, i.e. there is no relation between awareness about those companies and state of policy of those companies taken by individuals.

For rest 7 life insurance companies, as none of the respondents has taken even a single policy, we cannot apply chi-square test to test the hypothesis. But at the same time, awareness level for those companies is also very low, as observed from the table 1.

**To study the preferences of individuals among the registered and operating Life Insurers in India**

Preference among various Life Insurance companies only past behavior may not determine future behavior. Increase in knowledge as well as dynamics in the market may also influence future behavior of individuals. Hence, in one of the questions current preference about the insurance companies was asked. It was further observed that most of the respondents prefer LIC i.e. 71 % only rather than other life insurance companies. Even Das, Mohanty and Shil (2008) found that 52% of the investors ranked LIC as number one, 33% ranked ICICI as number two and 15% ranked HDFC as number three in Indian insurance industry in their study.

Graph 1: Scale of Preference



Furthermore, from the collected data, the analysis is more or less similar to what was mentioned by Das, Mohanty and Shil. It is observed that almost 42 % of the respondents would prefer HDFC Life while buying a life insurance policy, although they are still a majority market holder yet it is noticeable that the % of investors is quite low than the previous years' data already recorded. The major reason behind this is the tough cut throat competition in the market increasing day by day.

**Evaluation of life insurance companies on the basis of various services provided**

Evaluation of life insurance companies on the basis of various services provided by them may give better idea about their preference among investors. Following table shows responses to various services provided by top companies selected on the basis of market share earlier.

**Table 3: Top 5 Companies on the basis of their performance**

	<b>LIC</b>	<b>SBI Life</b>	<b>ICICI Prudential</b>	<b>HDFC Life</b>	<b>Max New York</b>
<b>After sales services</b>	69/100	21/100	20/100	45/100	<b>13/100</b>
<b>Returns</b>	60/100	27/100	20/100	40/100	<b>12/100</b>
<b>Premium payment centers</b>	70/100	31/100	25/100	32/100	<b>8/100</b>
<b>Payment mode</b>	65/100	27/100	28/100	49/100	<b>11/100</b>
<b>Professionalism of Employees</b>	44/100	22/100	28/100	54/100	<b>15/100</b>
<b>Brand name and past history of the company</b>	70/100	36/100	21/100	31/100	<b>10/100</b>
<b>Aggregate of above mentioned services</b>	63%	27.3%	23.6%	41.8%	11.5%

From the above table, it is observed that even though on the basis of their market share the above mentioned companies are at top but when it comes to after sales services LIC tops the list with almost 70 % followed by HDFC Life by almost 45%. Maintaining an efficient after sales service is very important for the long run as it usually helps in generating more transactions and business over the life of just one policy. Over here it quite visible that LIC and HDFC are efficiently aware about the purpose of after sales business, hence they have majority share in the market.

Life Insurance is not looked only at providing monetary value to their life from which the family shall benefit after death, they also look for certain plans which acts as a savings plan as well as returns on the same once the plan matures regardless of the fact whether the person is alive or dead. So, when we talk about maximum returns, Plans provided by LIC give highest returns. LIC offers wide range of plans specially designed to provide higher returns. Some of them being Jeevan Akshay VI, New Children's Money Back Plan, New Endowment Plan, New money back plans, etc. This fascinates the customers towards LIC more so, builds a trust and confidence on the company as well and the same is also reflected by the responses collected. It is also seen that HDFC is second most preferred company by respondents on the basis of returns but other companies fail to compete with these two companies when it comes to providing adequate returns to the schemes offered. This further leads to low new business generation in the long run.

There are two modes of making payment of any life insurance plan, online and offline mode. Nowadays, online mode is usually preferred by the clients as it is quick, easy and simple mode and saves time. On the other hand, few clients who are not so tech savvy still prefer the offline mode of payment by visiting the offices and making payment of their premium. From the collected data, it is inferred that as LIC is one



of the oldest Life Insurance Company in the country and due to large market share catering to all strata of Indian society explains the high presence of Premium collection centers. The new private life insurers are focusing more on online payment platform, therefore, a significant difference is spotted even in the responses collected. It is further observed, majority respondents are holistically satisfied by services offered by LIC, except for the Professionalism of employees that has been led by HDFC. This could be due to the traditional approach of professionalism carried by LIC in this dynamic changing environment.

Further, it is also noticed, SBI Life Insurance Co. Ltd. carries good leverage of its brand name and past history after LIC. SBI Life in the recent 5 years has shown tremendous market share growth as well. Hence, it can be safely concluded that with the combined efforts of the company trying to penetrate more in the Indian market as well as the brand value of SBI has helped the company to reach the market share of 19 % which is by far the highest market share amongst the private insurers.

## **CONCLUSION**

From the analysis it can be concluded that the life insurance sector is witnessing a year on year growth. This growth is mainly seen within private insurers as compared to LIC. Also, companies like SBI Life Insurance, ICICI Prudential and HDFC Life have majority market share in the private life insurers. Companies with more than 3% of the market share were companies majority of the respondents were aware of. Companies with less than 3% of market share like Aegon Life, India First, IDBI Federal, Shriram Life Insurance were some of the least known and policy taken companies as they have market share between 1 – 3%. These companies although are well performing companies but due to minimal market share are left unnoticed. In order to give an equal competition in the market, it's very important for them to penetrate well and increase the customer base.

Recently, LIC has witnessed major competition in the market from its peers as investors have become more flexible while choosing a plan. Other factors than just the company's name have also been given importance by the investors. It was found that majority of the respondents i.e. 73 % desire to have overall good services from the life insurance companies. This indicates that majority of the respondent not only expect one or two particular great services in general but an overall good experience with the company they choose.

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