

RESEARCH ARTICLE

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**A STUDY ON THE COST EFFICIENCY OF SELECT INSURANCE COMPANY IN
INDIA**

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Abstract

The insurance industry as a whole has contributed to the development of the economy by creating jobs, accelerating industrial expansion, and so on. Despite its importance and prominence in the economy, the Life Insurance Corporation of India is not without issues. Customer happiness is the fundamental differentiator for every business's success, and this is especially true in insurance, since the products are seen as intangible. The study's objective is confined to examining policyholder behaviour and analysing existing marketing techniques of LIC of India with regard to various products offered by the organisation, as well as plans and policyholder satisfaction, which is of societal importance in the current situation.

To be more specific, the study set out to achieve the following goals:

1. To gain a better understanding of the public's perspective of LIC's cost efficiency.
2. Determine the elements that affect policyholder satisfaction with LIC products.
3. To investigate how policyholders react to LIC's marketing efforts.
4. Determine the extent of LIC customers' satisfaction.

KEYWORDS: *Insurance, public perception, behaviour, LIC, uncertainty*

I INTRODUCTION

Insurance may be described as a social device to reduce or eliminate risk of loss to life and property. Insurance is a collective bearing of risk. Insurance spreads the risks and losses of few people among a large number of people as people prefer small fixed liability instead of big uncertain and changing liability. Insurance is a scheme of economic cooperation by which members of the community share the unavoidable risks. Insurance can be defined as a legal contract between two parties whereby one party called Insurer undertakes to pay a fixed amount of money on the happening of a particular event, which may be certain or uncertain. The other party called Insuree or Insurant pays in exchange a fixed sum known as premium. The insurer and the insurant are also known as Assurer or Underwriter and Assurant, respectively. The document which embodies the contract is called the policy. There are two parties involved in a legal agreement: the insurance company (insurer) and the insured (customer) (insured). On the occurrence of the covered event, the insurance provider pledges to reimburse the insured's damages. The incident that results in a loss is referred to as a contingency. Either the policyholder or the insured's property will be damaged or destroyed, depending on the circumstances. As a result, it's known as a contingency since there's no guarantee that the

event will occur. An insurance premium is paid by the insured in exchange for the insurer's assurance of coverage. The relevance of the insurance sector in the macroeconomic development of an economy is well acknowledged.

II OBJECTIVE OF THE STUDY

To be precise the study has undertaken the following objectives:

1. To understand the cost-effectiveness understanding in LIC.
2. Identify factors that affect policyholder satisfaction with LIC products.
3. Study policyholders' response to LIC's marketing activities.
4. Identify LIC's customer satisfaction level.

III LITERATURE REVIEW

Existing available literature on the topic will be analyzed to identify research gaps. Books, summaries, thesis, study reports and articles published by academics and researchers in various journals form the literature on the life insurance market in India. An examination of the literature suggests focusing on the undiscovered area and differentiating current research from others. Here is a list of available literature:

In his book Introduction to Risk Management and Insurance, Mark S. Dorfman (2002) on the role of private companies as well as the fundamentals of the insurance sector.

Dr. P.K. Gupta (2000), in the article named “Exploring Rural markets for Private Life Insurance Players in India” has tried to examine the present state of affairs of rural life insurance in India and attempts to explore the causes, which led to poor penetration of rural life insurance markets for which a survey of 2000 sample of rural customers was been conducted to examine their perception and attitude towards buying life insurance products. The study brought out interesting facts to lights like rural households with head of the family more educated but with less family income are more likely to purchase a life insurance policy than those with better social security but lesser education & rural customers consider safety of invested funds as the most important factor in buying a life insurance followed by claims settlement and assistance in policy purchases. On the distribution side the research stated that a firm belief among the insurance companies is that agents are best suited for tapping the rural segments. But the research concluded that the keys to success

in insurance penetration in rural areas for private players are accessibility, reasonably priced products, effective communication and after-sales service.

T.Venkateswara Rao (2004), presented a paper titled “Alternative Distribution Channels in India” in Global Conference of Actuaries. This research points out that a distribution channel means a set of interdependent organizations involved in the process of making a product or service available for use or consumption by the consumer by creating place utility & the value of having the products where the customer wants them, when they want them. The research said that in Distribution in Life Insurance requires the intermediaries. The current insurance market depends heavily on Individual Agency channel but it concluded that Alternative distribution channels can give competitive edge for the Insurers, a statistics of Alternative Distribution channels of LIC suggest that corporate agencies including banks are garnering 82% and the rest 18% is coming from Brokers & Over time bancassurance may get at least 20% distribution share in life insurance market.

IV STATEMENT OF PROBLEM

Even in the simplified Indian insurance market, LIC is the largest life insurer, and is expanding beyond its previous records. The company has implemented IT-enabled services in a number of activities with the aim of improving customer service and comfort due to private sector competitors. It has introduced online payment, online information kiosks, interactive voice response system (IVRS) in major cities as well as satellite contact. Even in today’s simplified competitive market, the three letters LIC stand for insurance services, excellence in improving the state’s financial position and especially confidence in the minds of policyholders.

In view of the facts and concerns, a research has been conducted to gauge the quality of service provided by the Life Insurance Corporation of India to policyholders (LIC).

The entire insurance industry has contributed to the growth of the economy by creating job opportunities, accelerating industrial expansion and so on. Despite its importance and significance in the economy, the Life Insurance Company of India is not without problems. Customer happiness is the basic factor that characterizes the success of every business, and this is even more true in insurance, where goods are considered invisible.

V RESEARCH METHODOLOGY

The study population included LIC policyholders in Bangalore, Karnataka. Three branch managers and five agents selected sample policyholders from the sample framework. The sample was then divided into urban and rural compounds. The sample of 150 policyholders in each group was accessed to suit researchers and policyholders. The requested information was collected from a total of 100 policyholders.

In the field of life insurance, I have used the appropriate detailed research design to research service quality, awareness, satisfaction and other important variables. The questionnaire consists of two parts. The first section collects data on various social, economic and demographic factors such as income, age, occupation, degree of education. On a 5-point scale, respondents were asked to rate issues such as awareness, satisfaction and service quality related to LIC insurance product (strongly agreeing to “strongly disagree”).

SAMPLING TECHNIQUE: Simple random technique

SAMPLING SIZE: 100 respondents

SAMPLING UNIT: consumers of LIC India

VI DATA ANALYSIS:

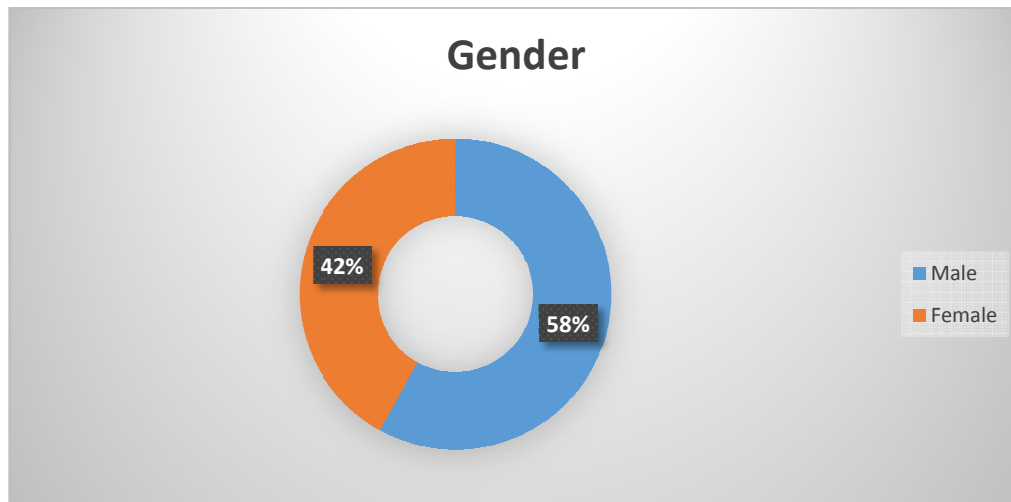
1. GENDER

TABLE

1:

Gender	No. of Respondents	Percentage
Male	58	58%
Female	42	42%
Total	100	100%

ANALYSIS: Table 1 reveals that 58% of the respondents are male and 42% of the respondents are females.



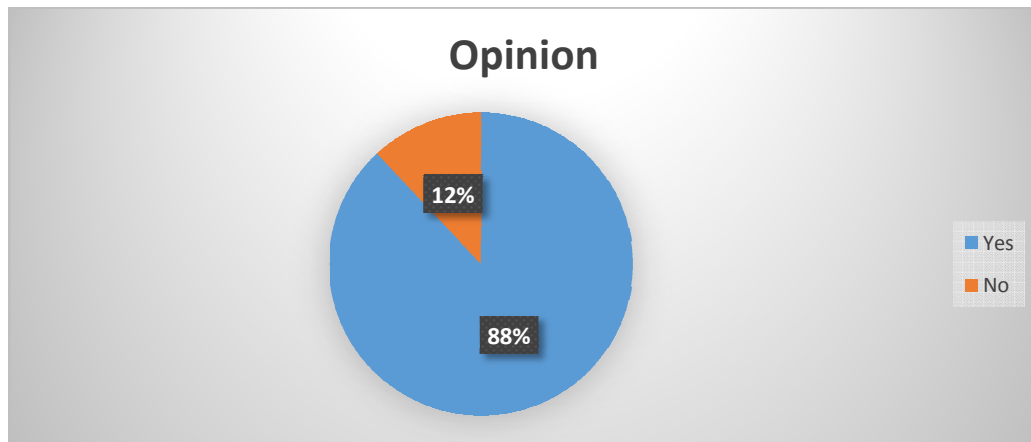
INTERPRETATION- The data collected was from simple random technique so the probability of female and male were based on the chances.

2. ARE YOU CURRENTLY COVERED UNDER ANY LIC INVESTMENT POLICY?

TABLE: 2

Opinion	No. of Respondents	Percentage
Yes	88	88%
No	12	12%
Total	100	100%

ANALYSIS: Question above We have surveyed the persons covered under LIC investment policy. 88% answered yes and 12% said no.



INTERPRETATION: It can be interpreted that majority of the respondents are covered under the LIC investment Policy.

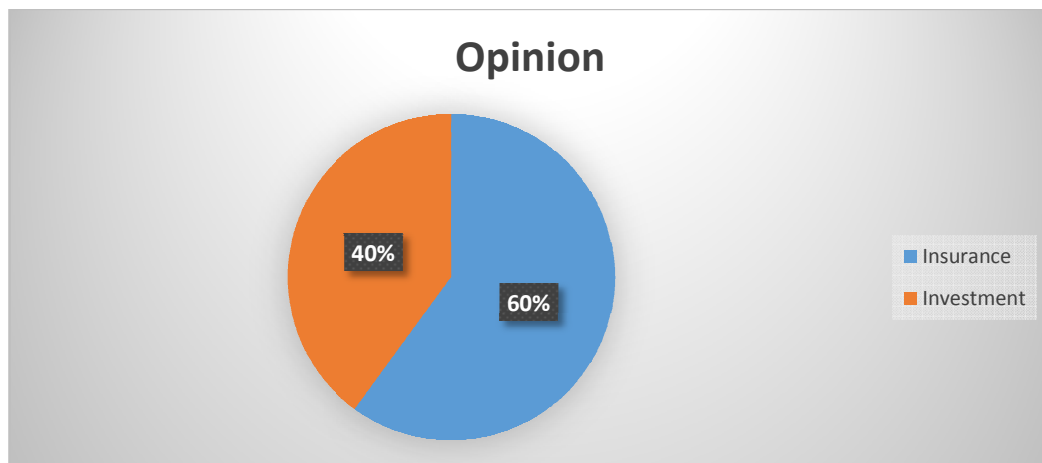
3. WHAT IS YOUR MAJOR REASON FOR OPTING FOR AN LIC INVESTMENT?

TABLE: 3

Opinion	No. of Respondents	Percentage
Insurance	60	60%
Investment	40	40%
Total	100	100%

ANALYSIS: In the above question, we surveyed people who are interested in LIC, 60% of people are covered by insurance and 40% are interested in investing.

FIGURE: 3



INTERPRETATION- From the analysis the majority of the respondents are covered with Insurance.

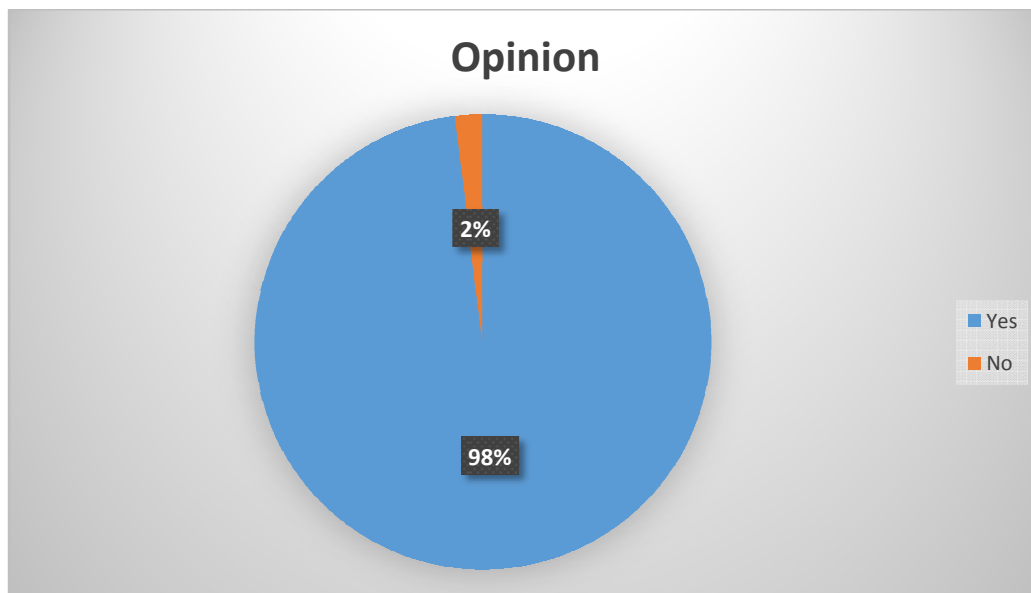
4. ARE YOU CURRENTLY UNDERGOING ANY MEDICAL TREATMENT OR ARE ILL?

TABLE: 4

Opinion	No. of Respondents	Percentage
Yes	40	40%
No	60	60%
Total	100	100%

ANALYSIS: 40% of those receiving medical treatment said yes and 60% said no.

FIGURE: 4



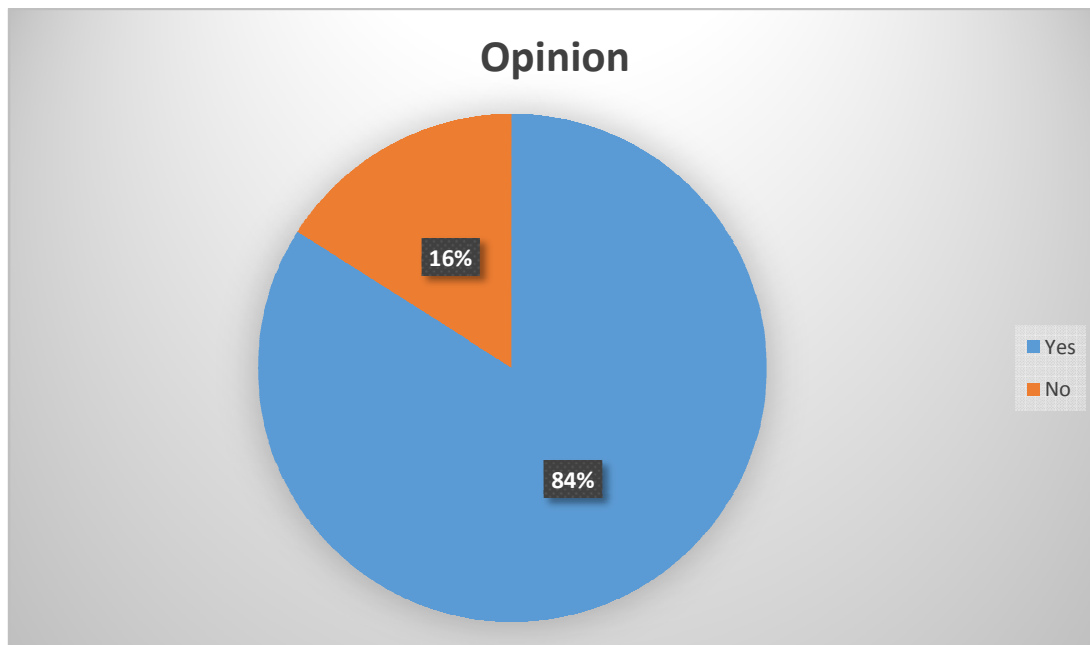
INTERPRETATION- From the analysis the majority of the respondents are not going under medical treatment.

5. DO YOU THINK THE RELATIVE COST IS MUCH LESSER AS COMPARED TO OTHER INSURANCE COMPANIES?

TABLE: 5

Opinion	No. of Respondents	Percentage
Yes	84	84%
No	16	16%
Total	100	100%

ANALYSIS: It is clear from the table above that 84% of respondents agree that the relative cost is very low compared to other insurance companies and 16% of respondents feel the opposite.



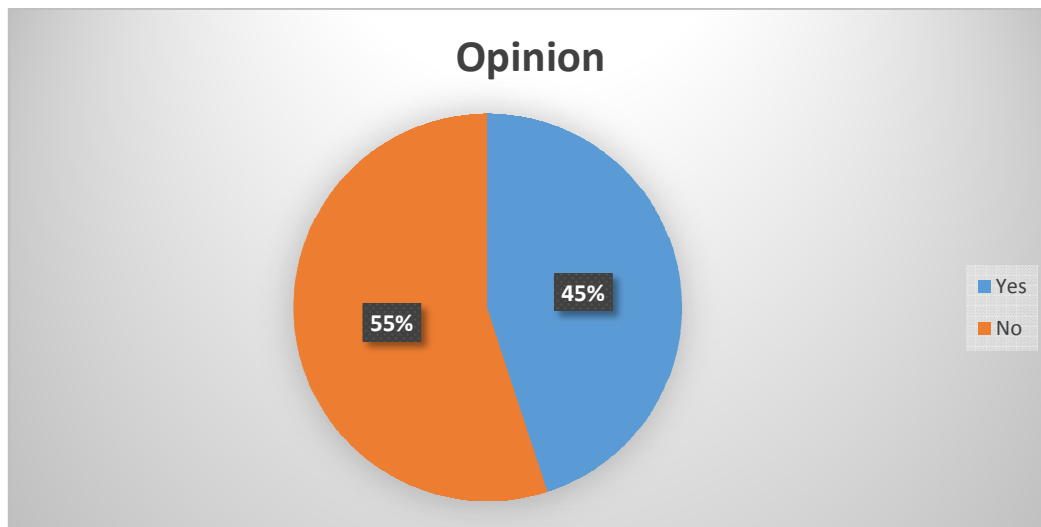
INTERPRETATION-From the analysis, the majority of respondents agree that the relative cost is very low compared to other insurance companies.

6. DOES THE INSURANCE AGENT / MARKETING EXECUTIVES RECOMMEND FOR LIFE INSURANCE?

TABLE: 6

Opinion	No. of Respondents	Percentage
Yes	45	45%
No	55	55%
Total	100	100%

Analysis: The survey said LIC did not need an agent. 45% answered yes and 55% said no.



INTERPRETATION- From the analysis the majority of the respondents said that agent is not required for LIC.

VI FINDINGS:

1. It has been found that LIC workers are constantly busy responding to the needs of clients / document holders.
2. The majority of clients are shown to be protected and satisfied with their transactions with LIC.
3. Only a small percentage of LIC employees have proven to pay special attention to customer issues.

4. It was found that only a small percentage of the employees of LIC are aware of all the terms and conditions of the company.

VII SUGGESTIONS:

According to the survey results, policyholders prefer banking and insurance to work together. They choose private insurance companies because they offer banking services and a variety of value-added services. As a result, providing banking services to policyholders and the public will benefit LIC and the general public.

- The overall performance of the Life Insurance Corporation of India is stable. Working groups have made many attempts to achieve their goals, but there are still some shortcomings. Here are some suggestions:
- LIC should strive to improve plan sales and create new plans with a variety of features to generate revenue, especially premium revenue.
- As private insurance companies are increasingly occupying the market, LIC should strengthen its operations and make plans with greater benefits.
- To maintain its market share in a competitive environment, the company should strive to develop its company by issuing more and more policies.
- Operating costs must be under control as compared to written premiums.
- Comparing the performance of LIC with the performance of other insurance companies may help in the growth of the company.
- Comparing the performance of life insurance company operating expenses with other insurance companies can help reduce costs.

VIII CONCLUSIONS:

Data obtained from policyholders were evaluated in this research, which revealed the expectations and preferences of the policyholders. Also made recommendations that could be put into practice for the benefit of the general public and the government.

The number of soldiers was strengthened after reviewing the overall situation. Companies affiliated with multinationals in the insurance sector In order to give proper competition to the public sector giant LIC, we have come to the following conclusions:

- 1) There is intense competition among private insurance companies at the new trend level. Advertising to appease more customers.
- 2) LIC is not lagging behind in the current advertising war.
- 3) The entry of private companies into the insurance sector has expanded the product category to cater to a wider range of customer needs. As a result customers have more options.
- 4) Restrict customer access to private insurance companies.
- 5) LIC has a large market and monopoly on life insurance products, as well as strong control over its regular customers.
- 6) Private players have implemented a bank guarantee, which allows life insurance companies to take advantage of risk products within the bank network. However, LIC did not back down, taking a controlling position in Corporation Bank and significant equity ownership in Eastern Commerce Bank.

The IRDA also plays an important role in this area by regulating the rules that private companies must follow, thereby enhancing client confidence in the private business.

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