INVESTORS' PREFERENCE IN
LIFE INSURANCE POLICIES

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Life Insurance plays an important role in mitigating life's uncertainties. Apart from covering life, insurance also takes care of health related issues. Liberalization has thrown up the challenges which threaten the insurance business in India. People aspire not only risk protection for uncertainty but also safety, return on investment, loan facility, etc. Most of them consider the investment in life insurance policies as an integral part of their finance portfolio making a significant change from the earlier attitudes, when the life insurance policy was purchased only for tax-saving purpose. Further, the investors' attitude also change from one situation to another depends upon their necessity. Unlike the past, now with the entry of private life insurance players, as an outcome of liberalization, people have got a number of insurance players from whom they can purchase the insurance policies. Insurance products that suit for people at different life styles are available now in the market with additional distinguished features. Therefore, it is all left to the choice of the investors to choose the insurer and the product according to the expected risk, benefit, and need.

Insurance is a good savings option for the long term. The need for savings is necessitated by a number of factors, which range future needs like a child's higher education or wedding, meeting post-retirement needs etc. Irrespective of how much individual earns, the primary concern people have while putting aside their savings is that of safety of the principal.

Statement of the Problems

Life insurance is truly a social profit and is symbolizes socialism at its best. Both the rich and the poor pay the same premium and provide a mutual form of

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cover to each other for millions of people who do not earn regular income and for families that depend on the irregular wages or incomes of a single bread winner, life insurance is a potent way to provide economic protection and family welfare.

People view life insurance policy as a secure, risk free investment. People save regularly to build a corpus for their daughter's wedding, son's education, for buying a piece of land etc. A recent data (2002 statistics) reveals that about 3.7 million policies were issued in rural regions, of which endowment policies accounted for about 93%. Therefore the present study is mainly focused on finding the standard in agreement of the investment options in general investment and in particular the life insurance policies.

Significance and Scope of the Study

Though many research studies have been done in the fields of stock market and debt market, very few studies have been undertaken in relation to savings and investment pattern in insurance especially life insurance. Therefore, this study is a maiden attempt to analyse the standard in agreement of the policyholders in respect of the priority of general investment option and in particular the LIC products.

The study is limited to the policyholders of LIC. The policyholders of insurance viz., Marine Insurance, Fire Insurance etc. are not included in the present study. And the policyholders of private Life insurance companies are also not included in the present study.

Objectives of the study

The objective of the study is to analyse the standard in agreement of the respondents in respect of the priority of investment options in general and in particular the LIC products.

Hypotheses of the Study

Ho "Policyholders don't apply same standard in ranking the eight general investment options, the six investment options of life insurance products, six purposes of investment in life insurance policies, 12 insurance companies for their further investment in life insurance policies, the insurance companies for their further investment in life insurance policies, insurance companies in terms of their safety and potentiality in settling the claims".

Methodology

Both, primary and secondary data were collected and used for the study. The required secondary data were collected through various journals, magazines, newspapers, books, reports, etc. The required primary data were collected from the respondents by face-to-face approach by use of interview schedule. To collect primary data a detailed interview schedule was prepared covering most of the aspects of the

objectives of the study. Pre-testing of the schedule was done by administering the prepared scheduled to 10 policyholders in Pondicherry region to find out the reliability and accuracy of the questions. Finally, after pre-testing appropriate changes and modifications were made in the schedule.

Sampling Design

In this study the population consists of the policy holders of LIC of India in the Pondicherry region. On the basis of the available record with the LIC in Pondicherry it is inferred that there are 16 development officers working in the Pondicherry region. Among them one development officer has been chosen on the basis of the performance. Under the chosen development officer there are about 10,000 policyholders. The sample size is decided as 200. To choose the sample respondents, systematic random sampling technique is used. The sample interval is $N/n = 10,000/200 = 50$. The first sample respondent was chosen by Lottery method and every subsequent sample respondents were chosen by giving 50 as sample interval.

Tools Used for Analysis of Data

To test the significance of attributes, 'W' test (Kendall's Co-efficient of Concordance) has been extensively used in the study.

ANALYSES AND RESULTS

Priority of Investment Options

To find out the standard in agreement of the respondents in respect of the priority of investment options, Kendall's coefficient of concordance - "W" test is ued where

$$W = \frac{S}{1/12K^2(N^3 - N)}$$ and the

result are shown in table 1.

Priority of General Investment Options

For the purpose of analysis with respect to general investment options the investment portfolios viz., Bank Deposit, Life Insurance Policies, Provident Fund, Postal Life Insurance, Bonds, Debentures, Equity, Company Deposits, etc are considered.

The analysis reveals that the worked out value of χ^2 (8.18 for 9df at 1% level) is higher than the TV of χ^2 which fact shows that the 'W' is significant (CV>TV). Hence the Ho is rejected and can be inferred that the policyholders have applied essentially the same standard in ranking the eight investment options (Bank deposit, Insurance policies, Provident fund, Postal Life Insurance, Bonds/Debentures, Equity, Company deposits and others). Therefore, there is a significant difference in agreement with respect to general investment options.

Priority of Investment Options in LIC

With respect to investment options in LIC insurance products viz., Endowment Policy, Money Back Policy, With Profit Plan Policy, Without Profit Plan Policy, Pension Policy, etc., are considered.

The 'W' test analysis reveals (vide table 1) that the worked out value of χ^2 6.74 for 5 d.f. at 1% level is higher than the TV for χ^2 which fact shows that the 'W' is significant (CV>TV). Hence, the HO is rejected and can be concluded that the policyholders have applied essentially the same standard in ranking the six investment options of life insurance policies, i.e., Endowment Policy, Money Back Policy, With with.

Table I

Result of Kendoll's Co-efficient of Concordance of Ranking with respect to Priority of Investment Options.

Variable	Co-efficient of Concordance 'S'	Rank 'r'	Friedman ANOVA 'χ^2'
Priority of General Investment Options	.5843	0.5822	818.00** [9]
Priority of Investment Options in LIC	0.6736	0.6720	673.62** [5]
Priority of Purposes of Investment in LIC policies	0.3432	0.3399	343.24** [5]
Priority of various Life Insurance Companies including the LIC for further investment	0.0358	0.0309	78.71** [11]
Priority of various Life Insurance Companies including the LIC in terms of Safety and Potentiality in settling the claims.	0.7211	0.7197	1730.59** [12]

** Significant at 1% level of significance
Figures in squre brackets show the degree of freedom

Profit Plan Policy, Without Profit Plan Policy, Pension Policy, and Others. Therefore, there is a significant difference in agreement with respect to investment options in LIC.

Priority of Purposes of Investment in LIC Policies

The policyholders consider factors viz., safety, life risk coverage, security, reasonable return including accrued bonus, tax rebate/benefit, moral support, etc. for their preference of investment in LIC policies. Therefore, these factors are considered for analysis of priority of purposes of investment in LIC policies.

The analysis of 'W' test reveals that the worked out value of 'χ^2' 343.24 for 5 d.f. at 1% level is higher than the TV of χ^2 (vide table 1) which fact shows that the 'w' is significant (CV>TV). Hence the Ho

is rejected and can be concluded that the policyholders have applied essentially the same standard in ranking the six purposes of investment in life insurance policies, viz., safe investment, life risk coverage, and secured investment, reasonable return including accrued bonus, tax rebate/benefit and moral support. Therefore, there is significant agreement in ranking the various purposes of investment in LIC policies.

Priority of Life Insurance Companies for Further Investment

As a result of liberalization, now people have got 12 private insurance companies to choose and invest viz., ICICI Prudential, Birla Sun Life, HDFC Standard, Max New York, SBI Life, Om Kotak, TATA AIG, ING Vysya, MET Life, Allianz Bajaj, etc. Therefore these private life insurance companies and the PSU, LIC are considered for analysis.

The 'W' test analysis reveals that the worked out value of χ^2 78.71 for 11 df at 1% level (vide table 1) is higher than the TV of χ^2 which fact shows that the 'w' is significant (CV>TV). Hence the Ho is rejected and can be inferred that the policyholders have applied essentially the same standard in ranking the 12 insurance companies for their further investment in life insurance policies (LIC of India, ICICI Prudential life Insurance Company, Birla Sun Life Insurance Company, HDFC Standard Life Insurance Company, Max New York life Insurance Company, Allianz Bajaj life Insurance Company, SBI life Insurance

company, OM Kotak life insurance company, Tata AIG life insurance company, ING Vysya life insurance company, Met life insurance company, AMP Sanmar life insurance company and others.) Therefore, there is a significant agreement in ranking the Life Insurance Companies for their further investment in life insurance policies.

Priority of Insurance Companies in terms of Safety and Potentiality in Settling Claims :

For the purpose of analysis, the above said life insurance companies including the LIC are considered. The analysis of 'W' test (vide table 1) reveals that the worked out value of χ^2 1730.59 for 12 df. at 1% level is higher than the TV χ^2 which fact shows that the 'W' is significant (CV>TV). Hence the Ho is rejected and can be concluded that the policyholders have applied essentially the same standard in ranking the insurance companies in terms of their safety and potentiality in settling the claims (LIC of India, ICICI Prudential Life Insurance Company, Birla Sun Life Insurance Company, HDFC Standard Life Insurance Company, Max New York Life Insurance Company, Allianz Bajaj Life Insurance Company, SBI Life Insurance Company, OM Kotak Life Insurance Company, TATA AIG Life Insurance Company, ING Vysya Life Insurance Company, Met Life Insurance Company AMP Sanmar Life Insurance Company, and Others). Therefore, there is a significant agreement in ranking the life insurance companies in terms of safety and potentiality in settling claims.

Conclusion

Most individuals view the investment in life insurance policies as an integral part of their finance portfolio making a significant change from the earlier attitudes, when life insurance policy was purchased as a tax saving tool. With the entry of private insurance players, as a result of liberalization measures, many banks have entered/diversified into the insurance business. Insurance products that suit for people at different life stages/styles and products that enable an individual to get the best value for the aims of aspirants are available now in the market with additional/distinguished features.

Investors' attitude/expectation also change from one stage to another depends upon their need. The present study reveals that there is significant agreement in the priority of general investment options, priority of investment options in LIC, purposes of investment in LIC policies, priority of various Life Insurance Companies including the LIC for further investment, priority of various Life Insurance Companies in terms of safety and potentiality in setting the claims.

Therefore, the life insurance companies should give top priority for settling the claims as and when it arises. Unless these companies serve better the policyholders, it is difficult for them to compete, serve, survive and succeed because there are lots of threats and challenges that the insurance companies are expected to face viz, the changing behaviour of policyholders/customers, deregulation and government intervention, technology advancement , wide/strong distribution network, better client relationship and quality of service, alarming claims ratio, increasing managerial and operating expenses, above all stiff competition via business widening, diversification, franchise, tie-ups, etc.