A Study on the Preference of Policyholders towards LIC Policies in Kerala- An Application of Kendall's Coefficient Of Concordance

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Abstract

The attitude and preference of policyholders towards purchase of life insurance products are influenced by multiple factors as the nature and regularity of income, future needs, knowledge on its features and benefits etc. As agents are having better personal relationship with community of policyholders, it will be worthwhile to analyse the perception of agents on the preference of policyholders towards holding life insurance products so that product designs can be matched with needs and requirements of specific market segment. The analysis shows that as per the experience of agents, majority of policyholders prefer either endowment or money back policies in the life insurance product mix of LIC.

***Key Words**: Life insurance products, market segment, product mix, endowment policies*

Introduction

Individual agents contribute a lion's share in the total life business of LIC among the multiple channels employed by it in its distribution network. The special characteristics of the agency channel like ability to build up confidence among prospective customers, understandability of social, cultural needs of the customers, accessibility and approachability make it more credible and dependable among potential customers. As such evaluation of the perception of agents, who are having better idea on the personal, financial and occupational profile of policyholders, on their attitudes and preferences towards purchase of life polices will be helpful in designing life insurance products in tune with it.

Life insurance products of LIC

The life insurance products of LIC may be classified in to whole life, endowment and term polices. The product may also be expanded by incorporating polices that are mix of the features and benefits of these basic policies.ie to say money back plans, children plans, pensions plans, health plans etc. Every kind of polices are having its own special characteristics either as to their terms and conditions, period of investment or nature and rate of term. The policies designed to suit particular segments in market depending on their future needs, level of income, saving and investment habits etc. it is also seen that policyholders belonging to same categories of occupation might have similar preference towards purchase of life products.

Review of Literature

Neetu Bala and H. S. Sandhu. (2011). The present paper investigates the factors influencing agents' perception towards Life Insurance Corporation of India. The study is based on a sample of 225 respondents taken from three cities of Punjab. The Corporation reaches out to the people through the main traditional route of the agency model for the selling processes of the numerous complex need-based products. The agents help in marketing its policies by spreading the message of life insurance among the masses. They serve as the kingpin for insurance companies seeking to provide traditional and innovative products, and focal point for customers seeking to procure insurance coverage and long term savings. It is also seen that there is no significant differences exist among various groups of respondents with respect to their perception towards Life Insurance Corporation of India.

Krirubashni, B. (1991) in her study attempts to know the level of awareness, preference and influencing factor pertaining to policy holdings and to test the relationship between the influencing factors and policy holdings. The study also reveals that the majority of the respondents is aware of the endowment assurance policy and considered to rank it as number one. It is also found that there was a significant relationship between personal factors and policy holdings.

Shesha Ayyer, V. (1999) expresses his views on new products . The article points out that there is possibility of the aged living too long has become real because of advancement in medical facilities. Pension schemes have thus become popular though at a slow pace.

Mishra (1991) in his study appraises the working & performance of LIC in marketing management and found that only 13% of the population in India was insured till then. The business, in terms of receiving premium of LIC, increases mainly due to salaried persons for their tax liability. He also suggests that the business of LIC should be extended to non-salaried people.

Objectives of the Study

The major objectives of the study are

1. To examine the preference of policyholders of LIC in buying selected life insurance products.
2. To identify the coherence among the policyholders of LIC as to preference in purchase of life policies in selected categories of occupation.

Research Methodology

The primary data is collected through well structured interview schedule. A sample size of 310 individual agents was taken based on the number of active agents in each division as on 31-3-2011 among 5

Divisions of LIC in Kerala. The study is descriptive and analytical in nature. The data collected were analysed with statistical software IBM SPSS.

Data Analysis

The profile of sample respondents explaining the demographic and occupational features of agents of LIC and their preference towards life policies along with the coherence among respondents in selected occupational categories are presented in the Tables given below.

Table 1.1 Profile of LIC Agents

	Categories	Frequency	Per cent	Cumulative per cent
Area (Place of Residence)	Rural	217	70	70
	Urban	93	30	100
Gender	Male	186	60	60
	Female	124	40	100
Marital status	Married	279	90	90
	Unmarried	31	10	100
Education	SSLC	64	20.6	20.6
	PDC/+2	112	36.1	56.8
	Degree	98	31.6	88.4
	Post graduate	24	7.7	96.1
	Others	12	4.0	100
Nature of Agency	Agent under DO	295	95.2	95.2
	Direct Agent	15	4.8	100
Nature of Membership	NCM	111	35.8	35.8
	BMC	82	26.5	62.3
	DMC	48	15.5	77.7
	ZMC	25	8.1	85.8
	CMC	28	9.0	94.8
	DAC	14	4.5	99.4
	MDTRC	2	0.6	100
Monthly Income(self)	≤ 5000	30	9.7	9.7
	5001-10000	94	30.3	40
	10001-15000	62	20	60
	15001-20000	38	12.3	72.3
	20001-25000	26	8.4	80.6
	> 25000	60	19.3	100
Age (Years)	≤ 25	13	4.2	4.2
	26-35	59	19.0	23.2
	36-45	124	40.0	63.2
	46-55	84	27.1	90.3
	≥ 56	30	9.7	100

Working Experience (Years)	≤ 5	94	30.3	30.3
	6-10	86	27.7	58.1
	11-15	66	21.3	79.4
	16-20	39	12.6	91.9
	> 20	25	8.1	100
	51-100	100	32.4	72.9
	101-150	64	20.6	93.5
	151-200	10	3.2	96.8
	≥ 201	10	3.2	100

Source: Primary Data

The policyholders belonging to different categories of occupation may have varying preference over purchase of the life policies. The nature and volume of earning of policyholders, the features/benefits, level of premium on policies, nature and frequency of return determine the preference towards purchase of specific life policies. Among policyholders belonging to different occupational groups there might have similarity as to preference towards certain types of policies. The similarity in the preference towards certain policies might be due to the nature of their earning and saving habits, attitude towards investment, level of disposable income in hand , future needs, personal attitude, mode of return/benefits available from investment etc. Since Daily Wage Earners are found to have no stable and regular income, they won't prefer policies with high sum assured and high premium. As the Salaried category has guaranteed and regular earning capacity, they would be in a position to meet high premium needs. While taking into account the case of NRIs, they earn large income for a shorter period of service. The income of agriculturists is seasonal in nature, while the business /self employed group expects quick returns on investment. Pensioners prefer short-term commitments with assured return regularly. It will be helpful to LIC to identify the preferences prevailing among various customer segments towards certain policies and the reasons behind such preference in designing policies for customers belonging to particular categories.

A cross-section of the population consisting of Daily Wage Earners (DWE), Salaried Employees(SE), Agriculturists/Farmers(AF), Business /Self-Employed(BSE), Non-resident Indians/foreign Employed (NRI/FE), Professional (PNL) and Pensioner (PNR) are requested to rank different types of Life insurance policies, such as Whole Life Policy (WLP), Endowment Policy (EP), Money Back Policy (MBP), Medical/Health Policy ((MHP), Term Policy (TP) , Pension Plans (PP) , Unit Linked Policies (ULIPS) , Children Plans (CP), Jeevan Anand (JA) , Jeevan Tarang (JT) , Micro Insurance Plans (MIP) , Other Plans (OP). If there is coherence among the ranks we say that there is high concordance with respect to the rank. Kendall's Coefficient of Concordance is a test used for testing concordance. The most preferred type of policy among each segment of policyholders can be identified by the analysis.

Hypotheses:-

H0:- There is no coherence among the rankings given by different occupational groups on preference towards LIC policies.

H1:- There is coherence among the rankings given by different occupational groups on preference towards LIC policies.

Table 1.2 LIC Policy-wise Mean Ranks among Different Occupational Groups

Policy Type	Client Group						
	DWE	SE	AF	BSE	NRI	PNL	PNR
WLP	*10.01*	7.96	7.43	7.48	8.57	8.25	8.48
EP	*2.21*	*2.84*	*2.78*	*3.70*	4.13	*3.54*	*2.87*
MBP	*2.34*	*2.75*	*2.98*	*3.37*	*3.78*	*3.28*	*2.90*
MHP	5.62	5.47	5.84	4.84	5.11	4.40	3.21
TP	8.16	7.40	7.65	7.02	7.39	6.55	6.72
PP	5.67	7.74	6.46	6.41	6.63	7.32	7.17
ULIPS	9.61	9.41	*9.98*	7.81	8.73	8.71	7.34
CP	4.41	4.33	4.56	5.96	4.98	6.45	6.20
JA	4.99	3.60	4.84	4.24	*3.36*	3.91	5.60
JT	6.73	4.67	5.88	5.18	3.92	4.69	6.45
MIP	8.60	*10.91*	8.86	*10.55*	*10.84*	*10.39*	*10.47*
OP	*9.66*	*10.92*	*10.74*	*11.46*	*10.57*	*10.52*	*10.59*

Source: Primary Data

Table 1.3 Test Statistics

N	258	253	255	257	253	257	251
Kendall's W[a]	.581	.679	.499	.501	.555	.515	.530
Chi-Square	1649.168	1889.821	1400.535	1415.669	1544.495	1455.094	1463.594
Df	11	11	11	11	11	11	11
Asymp. Sig.	*0.000**	*0.000**	*0.000**	*0.000**	*0.000**	*0.000**	*0.000**
A. Kendall's Coefficient Of Concordance							

**Significant at 5 percent level of significance*

Results and Discussions

The table showing demographic and business profile of the sample respondents (Agents) selected for study shows that 70 per cent of the respondents belong to rural areas. Gender- wise classification shows that males constitute 60 per cent and females 40 per cent. It is also revealed that majority of the respondents are married (90 per cent). Education-wise classification reveals that just 11.7 per cent of the total respondents are qualified over graduation. The largest majority of the sample (95.2 per cent) belongs to Agents working under Development Officers. The analysis of club membership shows that 35.8 per cent belong to none of clubs and while 26.5 per cent belong to BMC. The monthly income status of respondents reveals that 90.3 per cent is having an income above Rs 10000. A majority of the policyholders (86.1 per cent) range between age of 26 to 55. The classification of the sample based on their working experience shows that the majority of the selected agents (79.3 per cent) have experience of less than or equal to 15 years and a few (8.1 per cent) have experience above 20 years. With a view to identify the most preferred schemes by different classes of people, respondents from different occupational groups in the sample were asked to mark their preferences to schemes in the order of preference. The policy receiving the minimum score is the most preferred. It is also the opinions expressed by the different classes of respondents are coherent, i.e., they don't vary very much. A test for concordance is done and from the results, the views expressed by different classes, Daily Wage Earners (DWE), Salaried Employees (SE), Agriculturists/Farmers (AF), Business and Self Employed (BSE), Non Resident Indians (NRI), Professionals (PNL) and Pensioners (PNR) are found coherent and the coefficient of concordance is significant as its p values in all cases are *0.000 ($p < 0.05$)*. Salaried Employees *(SE) records the maximum concordance (KW value 0.679) and AF (KW Value 0.499), the least*

Findings and conclusions

LIC agents are in a position to understand the attitudes and perceptions of policyholders as to their preference towards purchase of life insurance policies as they are interacting with the prospective investors from the inception of the idea of having it. The study presents that policyholders belonging to the selected occupational categories prefer endowment and money back policies. Among different policyholders in different occupational categories, salaries employees are found have more similarity in their attitude towards purchase of life policies. The higher preference towards endowment and money back policies among policyholders will be helpful in designing in life insurance products.

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