Examining the major problems faced by the life insurance policy holders revealed with Henry Garrett Ranking Technique

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Insurance is one of the major segments of financial and security market. In India insurance sector is not only playing a role within the financial system, but also has significant importance in providing risk cover to the rural and poor populations. Insurance provides financial protection against a loss arising out of happening of an uncertain event. The life insurance industry in India has been progressing at a rapid growth since opening up of private sectors. The size and literacy rate of country, a diverse set of people combined with problems of connectivity in rural areas, makes insurance selling in India a very difficult task. The life insurance companies require good distribution agents and bank assurance to reach out such a huge customer base. Every risk involves a possibility of loss, which maybe monetary or physical. Even the physical loss may cause a monetary loss. Thus a person subject to a particular risk could incur a loss. If it is small, he can bear it. But if it is big and unforeseen, he may not be able to bear the loss himself. Therefore the function of insurance is to spread loss over a large number of persons who are also likely to face the risk. If all such persons, who are exposed to a particular risk, co-operate to share the cost of loss caused by that risk, the person who actually suffers the loss will get relief.

Every life insurance company has two gateways – the Underwriting Gateway when the insurer under certain terms selects a proposal for life insurance, and the Claims Gateway, through which policy benefits are passed on to the life assured/ policyholder or a beneficiary in the event of death or survival of the term. Needless to add, Claims performance is the litmus test of life insurer's credibility. If it repudiates or delays payment of a claim, a customer is going to be very unhappy and many more customers and prospects would have cause to doubt the promise made by the insurer. At the same time, if claims are paid blindly, overlooking fraudulent claims that can arise, it can seriously erode the financial soundness of the insurer and put its other customer's interests in jeopardy. Again, it is not just important to know whether a claim has been paid. It is perhaps equally important to ask whether the claim actually serves to benefit the beneficiary. A claim need not necessarily be the end of all relationships with a customer. It could also be the beginning of another relationship.

Concept of claims in life insurance

Life Insurance contract is an agreement wherein the insurer agrees to pay a certain sum to the ensured upon the happening of events specified in the policy, and upon the assured paying the premium for the agreed term. A claim on the policy is thus a demand on the insurer to fulfill it part of the promise, committed to while writing the contract with the life assured. The claim obligations of the insurer may vary, depending on the type of policy. Some of these are:

a. Payment of Sum Assured on death of Life Assured within the specified term as in term assurance

b. Payment of Sum Assured with or without Bonus on death at any time of the Life Assured, as under a Whole Life Policy

c. Payment of Sum Assured with or without Bonus on Maturity only as in pure endowment polices

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Online claims processing

The process of claims settlements, as seen above, is the final point in an insurance contract. When a policy is due for claim, the beneficiary has to submit a series of forms to the insurers, and the process of claims settlement involves a series of steps like:

a. Scrutiny of the papers submitted

b. Calling for further requirements from the beneficiary wherever necessary

c. Investigation in the case of death claims wherever required

d. Decision on the Claims and final settlement of the amount

In some cases, the process goes on for months. The obstacles in the Claims settlement process, through conveyed to the beneficiary, are not understood in the proper context. The entire process being manual, the client has no idea as to what stage of the claim settlement process his or her policy is in. This leads to consumer complaints, and claims managers have often no way to know where the problem lies, in many a case, without a manual scrutiny of the policy file and documents. The need for a web-based system of claims processing assumes considerable significance in light of the fact that it is a very sensitive area, needing to be considered as top priority. So this article focuses on the major problems faced by the life insurance policy holders in the rural area.

Review of literature

Kannan and Thangavel (2008) state that life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential if we desire to progress towards a worry-free future

Prof. PrashantaAthama and Prof. Ravikumar (2007), in their study identified the factors which the consumers take into consideration before selecting the life insurance products. They classified those factors into product attributes and non-product attributes. They found that urban policy holders and product attributes like product features, risk coverage, product flexibility, surrender of policy, loan against policy, revival of lapsed policy, grace period, and maturity period, are positively associated. So they suggested that insurer should concentrate on improving the product attributes to have more penetration in urban areas. On the other hand, they found that rural policy holders and non-product attributes like agents and company are positively associated. So they suggested that insurer should concentrate on improving the non-product attributes to have more penetration in rural areas.

For instance Omar (2005) assessed consumers' attitudes towards life insurance patronage in Nigeria and found out that here is lack of trust and confidence in the insurance companies. Other major reason for this attitude is lack of knowledge about life insurance product. An instructive opinion suggested by the researcher is the call for a renewed marketing communication strategy that should be based on creating awareness and informing the consumers of the benefits inherent in life insurance so as to reinforce the purchasing decision.

Kumar (2005) article highlights LIC's rural penetration, inherent problems in implementation, growth over the years, social schemes over the year, social schemes for the rural poor and the 'Bima Gram' program. The study indicates that nearly 55% of its new, individual policies have come from the rural sector. Its performance stands miles ahead of the private players. But, amongst the insurance products available, very few are tailor-made for the rural population.

Joseph Vijayakumari (2010), stated that the life insurance is not growing substantially in spite of enormous market potential. In her view the main challenge before insurance industry are product unawareness, lack of innovative promotional techniques, inadequate research and development activities, too much dependence on personal selling and salesmanship.

Objectives of the Study

To explore the major problems faced by the life insurance policy holders in the rural area.

Problem Statement

The insurable interest in own life is unlimited because the loss to the insured or his dependents cannot be measured in terms of money and, therefore, no limit can be played to the amount of insurance that one may take on one's own life. Thus, theoretically, a person can take a policy to any unlimited amount on his own life. The success of the life insurance business depends on the awareness of the policyholders about the products and satisfaction of the policyholders regarding the service rendered by the insurance companies. As a consequence, Life Insurance Corporation has undergone increasing pressure to the policyholder offer today what they expect tomorrow. The study will also give an idea of the policy holder's requirements. Timely information is equally important as that of giving correct information. The main challenge before the insurance companies is to constantly innovate new products, ascertain changes in policyholder's behavior, government intervention, competitions, technology, distribution network, automation, technological advancement, quality in client relationship changing life styles. Even though many insurance companies are focusing on satisfaction of policy holders still majority of the policy holders are facing problems at the time of claim. More specifically, there is a need to identify the major problems faced by the life insurance policy holders in the rural area.

Research Methodology

Sampling Design

 Convenient sampling method has been used for the study. The sample size has been 500 policy holders which have been selected in Erode district and data is collected for solving particular problem through well structured questionnaire.

Henry Garret Ranking Technique

Garrett‟s ranking technique was adopted to analyse the views of the employees. The order of merit thus given by the employees for each statement under each head was converted into ranks by using the following formula.

$$\text{Per cent Position} = \frac{100 \ (R_{ij} - 0.50)}{N_j}$$

Where

R_{ij} = Rank given for the ith statement by jth respondent

N_j = Number of statements ranked by jth respondent

The per cent position of each rank thus obtained was converted into scores by referring to the table given by Garrett. Then for each statement, the scores of individual

respondent were added together and divided by the total number of despondence. The mean scores for all the statements were arranged in an ascending order, ranks were assigned and the important statements identified.

Table No - 1

Problems Faced by the Life Insurance Policy holders (LIC)

S.No	Statement	Mean Score	Total Score	Rank
1	Initial claim formalities	1931	15448	I
2	Delay in the settlement of claim amount	1967	13769	II
3	Ambiguity in the terms & conditions of the policy	2202	13212	III
4	Benefits of insurance policy is not clear	2457	2457	VIII
5	Delay in the claim due to legal formalities	2298	6894	VI
6	Formalities in the final claim	2253	11265	IV
7	Lack of proper claim facilitators	2611	5222	VII
8	Low publicity & advertisements of claim settlements	2281	9124	V

It is inferred from the above that the "Initial claim formalities" was ranked as a first problem with a total score of 15448. Delay in the settlement of claim amount was ranked as second with a total score of 13769. Ambiguity in the terms & conditions of the policy, Formalities in the final claim, Low publicity & advertisements of claim settlements, Delay in the claim due to legal formalities, Lack of proper claim facilitators, Benefits of insurance policy is not clear were ranked as III, IV, V, VI, VII and VIII with a total score of 13212, 11265, 9124, 6894, 5222 and 2457 respectively by the life insurance policy holders in LIC.

Table No - 1

Problems Faced by the Life Insurance Policy holders (private)

S.No	Statement	Mean Score	Total Score	Rank
1	Initial claim formalities	2396	11980	IV
2	Delay in the settlement of claim amount	2399	9596	V
3	Ambiguity in the terms & conditions of the policy	2590	2590	VIII
4	Benefits of insurance policy is not clear	2415	7245	VI
5	Delay in the claim due to legal formalities	2543	5086	VII
6	Formalities in the final claim	1649	13192	II
7	Lack of proper claim facilitators	2000	14000	I
8	Low publicity & advertisements of claim settlements	2008	12048	III

It is inferred from the above that the "Lack of proper claim facilitators" was ranked as a first problem with a total score of 14000. "Formalities in the final claim" was ranked as second with a total score of 13192. Low publicity & advertisements of claim settlements, Initial claim formalities, Delay in the claim due to legal formalities, Benefits of insurance policy is not clear, Delay in the claim due to legal formalities, Ambiguity in the terms & conditions of the policy were ranked as III, IV, V, VI, VII and VIII with a total score of 12048, 11980, 9596, 7245, 5086 and 2590 respectively by the private life insurance policy holders.

Findings

1. From the analysis it is evident that the "Initial claim formalities" was ranked as a first problem with a total score of 15448. Delay in the settlement of claim amount was ranked as second with a total score of 13769. Ambiguity in the terms & conditions of the policy, Formalities in the final claim, Low publicity & advertisements of claim settlements, Delay in the claim due to legal formalities, Lack of proper claim facilitators, Benefits of insurance policy is not clear were ranked as III, IV, V, VI, VII and VIII with a total score of 13212, 11265, 9124, 6894, 5222 and 2457 respectively by the **life insurance policy holders in LIC.**

2. From the analysis it is inferred that the "Lack of proper claim facilitators" was ranked as a first problem with a total score of 14000. "Formalities in the final claim" was ranked as second with a total score of 13192. Low publicity & advertisements of claim settlements, Initial claim formalities, Delay in the claim due to legal formalities, Benefits of insurance policy is not clear, Delay in the claim due to legal formalities, Ambiguity in the terms & conditions of the policy were ranked as III, IV, V, VI, VII and VIII with a total score of   12048, 11980, 9596, 7245, 5086 and 2590 respectively by the **private life insurance policy holders.**

Suggestions

Based on the findings the following suggestions have been made

1. "Initial claim formalities" in LIC was ranked as the major problem by the respondents and the company can take steps to reduce the same.

2. "Delay in settlement of claim" is another major problem in LIC faced by the respondents and the company can take steps to reduce the same.

3. Insurance companies can concentrate on need based products and build confidence among the people.

4. "Lack of proper claim facilitators" was ranked as the major problem by the respondents of private life insurance companies and the company can take steps to reduce the same.

5. "Formalities in the final claim" is another major problem in private life insurance companies which is to be rectified by the companies and this will create huge customer base and turn the customers into loyal customers.

Conclusion

As rural security is important for the growth of the economy, the most serious problem confronting the rural security is inadequate life insurance coverage and inadequate coverage of all their liabilities. Lack of market research with regard to specific life insurance needs and lack of societal marketing have inhibited the growth of life insurance penetration in the rural areas. Initial claim formalities, Delay in settlement of claim, Lack of proper claim facilitators and Formalities in the final claim are the major problems faced by the policy holders of LIC and private life insurance companies. So it is a challenging task for the insurance companies and agents which are to be rectified through proper market survey.

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