

PROMOTION OF INVESTMENT IN MICRO INSURANCE POLICY A STUDY WITH REFERENCE TO KOLLAM DISTRICT KERALA

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Abstract

The development of micro insurance in India not only depends on the product scheme and delivery system but also on generating the appropriate sub structure and motivating the performance of insurance agents. It is essential for programming the banks as significant delivery network for micro insurance and the banks could drive the process for the growth of the insurance in the rural. Currently, various NGOs and MFIs are also providing micro insurance policies apart from private and public insurance companies, whatever be the delivery system of micro insurance contact with potential clients or existing clients is necessary for the easy marketing of the policy and this is possible only by strengthening the existing agency force. The present paper examines the ways and means for improving investment in micro insurance policy with reference to Kollam district, Kerala State.

Keywords:

Micro Insurance, Insurance Agent, Means for Improving Investment in the Policy

1. INTRODUCTION

Insurance is a device for sharing of risks. As insurance is a cooperative device, a large number of persons share loss arising from a particular risk. The primary functions of insurance are provision of certainly of payment at the time of loss and make a share in the loss arising from the risk. Micro insurance refers to the insurance to the low income people. Micro insurance is a low value product involving modest premium and benefit package. Micro insurance requires different design and distribution strategy.

In regard to micro insurance players in the Indian Insurance market, it is essential to pursue the objectives in a more liberalized market scenario. The key objectives are the spread of micro insurance awareness among the prospective buyers, increasing the level of insurance penetration and meeting rural and social obligations.

1.1 PROBLEM STATEMENT

Micro insurance concept is a new one. As the micro insurance policy provides cover to low income people who are left with limited resources, there is a problem in persuading the potential clients to subscribe to the policy. The present paper explores ways and means for improving the investment in micro insurance policy in Kollam district, Kerala.

1.2 OBJECTIVES OF STUDY

- To identify suitable measures for raising the investment in micro insurance (life) policy in Kollam district, Kerala.
- To find out reasons for policyholders' intention to switch over to other insurance companies.

1.3 HYPOTHESIS

H_0 : The number of policyholders of insurance agents is not a function of method of accepting complaints, number of marketing training, policy knowledge training and periodical training attended by the agents. The format of test hypothesis is estimated as,

$$Y = a + b_1x_1 + b_2x_2, \dots, b_nx_n + e$$

The present study is restricted to micro (life) insurance policy.

2. REVIEW OF LITERATURE

Ito and Kono [1] observed that there are common problems associated with micro insurance such as low take - up rate, high claim rate and low renewal rate. Majumdar [2] in his paper highlights the buying behavior of life insurance in India, reasons for low penetration and what the insurers can do to raise insurance penetration. Shah and Dixit [3] conceptualize that the penetration of rural insurance in India requires a fresh approach to sell rural insurance products. Murali [4] says that there are some strange insurance products in the global insurance market beyond the routine covers that one has got to see more regularly. Reddy [5] reports that micro insurance is quite different from other low income insurance products available in the market. It's time for all insurance companies to remodel the micro insurance products and target poor people for covering under micro insurance with more financial services. Jeyaseelam [6] says that insurance should modify the micro insurance products to diverse market segments. As the micro insurance sector is in its childhood, all the stakeholders have to put in their intensive effort in building the sector.

3. DATA AND METHODOLOGY

Survey technique was used as the study mainly depended on primary data. Questionnaire was the data gathering instrument. The sample survey went on for nine months during the period 2016-2017. As per Kokeran formula sample size was determined as 400 policyholders. Stratified sampling was used for the selection of samples. Relevant statistical tools such as percentage calculation, mean, standard deviation, and dummy variable multiple regression were used for the analysis of survey data.

3.1 ANALYTICAL MODEL

The model of the study measuring the variable is shown in the following Fig.1.

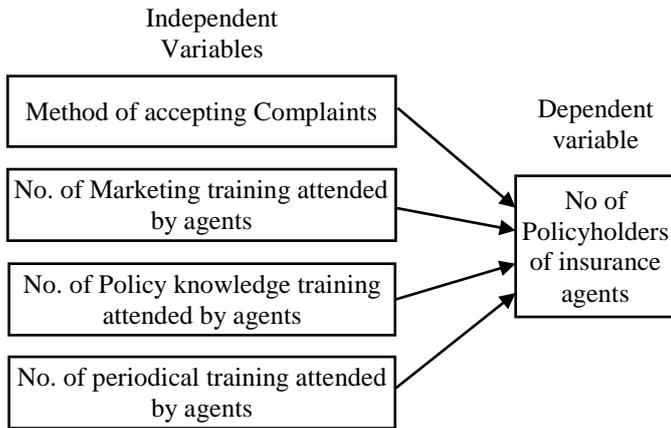


Fig.1. Analytical Model

4. FINDINGS OF STUDY

If the customers are skeptical of service quality, they would switch over to other companies. The survey noted the policyholders’ intention to switch over to other insurance companies.

Table.1. Policyholders’ intention to switch over

Intention	F	% to Total
Will Switch over	237	59.30
Will not switch over	163	40.70
Total	400	100.00

Source: Primary data

A striking disclosure is that a majority of clients (59.3%) would like to switch over to other companies if they are given an opportunity for it. Further delve into the matter has brought to surface the reasons for the switch over to other insurance companies.

It is evident from the above analysis that low amount of premium is the most important reason for the policyholders’ intention to switch over to other insurance companies, followed by high risk coverage, better service of other insurance agents, and speedy redressal of clients’ grievances in other companies.

5. PERFORMANCE OF DUMMY VARIABLE MULTIPLE REGRESSION

In order to find which of the variable are significant in causing variation in the number of policyholders of insurance agents, multiple regression was made. From the analysis it was found that gender, age, experience as LIC agents, area, number of times contacted a prospective buyer, amount of commission, incentives, method of accepting compliant from clients, redressal of grievances, and number of training attended for policy knowledge, consumer approach, premium collection periodical

training and special training were the variables affecting the dependent variable, i.e., number of policyholders of insurance agents. In order to extract the most significant variables affecting the number of policyholders held by the agents, backward selection method was applied; the method eliminated 16 insignificant variables from the regression model, and retained 4 significant variables in the regression equation. The output of regression analysis is presented in the following tables.

Table.2. Reasons for switch over to other companies

Reason	Mean	SD	Rank
Low Premium	4.08	1.06	1
High risk Coverage	3.57	0.94	2
Better Service of insurance agents	3.48	1.11	3.5
Change for growth of the Organization	3.48	1.14	3.5
Heavy advertisement	3.16	1.20	9
Nearness of organization	3.46	1.24	5.5
Sound infrastructure of organization	3.03	3.56	10
Speedy redressal of clients’ grievances	3.46	1.28	5.5
Prompt disbursal of policy amount on maturity	3.31	1.21	8
Frequently organizing awareness programmes	3.42	1.33	7

Source: Primary data

Table.3. Model summary of Initial and Final Regression

Model	R	R ₂	Adjusted R ₂	Std. error of the estimate	Durbin Watson
1	0.540	0.292	0.252	39.155	
17	0.508	0.258	0.250	39.212	1.931

Table.4. ANOVA of Initial and Final Regression models

Model	Sum of Squares	df	Mean square	F	Sig.	
1	Regression	238709	21	11367.09	7.414	0.000
	Residual	579528.4	378	1533.14		
	Total	818237.4	399			
17	Regression	210904.4	4	52726.1	34.292	0.000
	Residual	607333	3954	1537.55		
	Total	818237.4	399			

The Table.4 shows the significance levels of F values of initial and final regression models are less than 0.05, which indicate that the regression model is well fitted to the data and the models can be used for studying the variation of number of policyholders held by the agents in respect of the selected independent variables.

Table.5. Coefficient of initial Regression Model

Variables		Unstandardized Co. Efficient		Std. Co. efficient			Co linearity Statistics	
		B	Std. error				Beta	T
Constant								
Gender	M: 1 if male,	20.109	11.956		1.682	0.093		
	0 if female	-8.983	4.800	-0.097	-1.872	0.062	0.696	1.436
Age	A1:1 if 25 – 35, 0 otherwise	8.105	9.490	0.049	0.854	0.394	0.578	1.729
	A2:1 if 36 – 45, 0 otherwise							
	A3:1 if 46 – 55, 0 otherwise							
Experience as LIC Agents		0.161	0.423	0.020	0.381	0.704	0.664	1.507
Place of residence	U: 1 if urban, 0 otherwise	-9.755	6.058	-0.076	-1.610	0.108	0.843	1.187
	S: 1 if /semi urban, 0 otherwise	-1.091	6.277	-0.009	-0.174	0.862	0.774	1.293
No if times approached a potential client		-1.403	2.334	-0.027	0.601	0.548	0.912	1.096
Satisfaction with incentives given		0.220	1.848	0.007	0.119	0.905	0.589	1.699
Satisfaction with method of accepting complaints from clients		4.441	2.039	0.129	2.181	0.030	0.532	1.880
Satisfaction with redressal of grievances by the companies		-1.168	2.139	-0.034	-0.546	0.586	0.480	2.083
No. of Training programmes attended by agents	Marketing training	2.222	0.631	0.205	3.519	0.000	0.554	1.806
	Policy knowledge training	0.525	0.167	0.175	3.141	0.002	0.601	1.663
	Consumer contact training	1.049	0.647	0.095	1.620	0.106	0.543	1.841
	Premium collection training	0.642	0.792	0.049	0.810	0.418	0.505	1.980
	Special training	0.784	1.020	0.042	0.769	0.443	0.628	1.591
	Periodical training	3.037	0.734	0.218	4.138	0.000	0.673	1.487
	Other training	-0.020	0.721	-0.001	-0.028	0.978	0.749	1.335

Table.6. Co-efficient of final regression model

Variables	Unstandardized Co. Efficient		Std. Co. efficient			Co linearity Statistics	
	B	Std. error				Beta	T
Constant							
Satisfaction of agents with method of accepting	9.258	5.208	0.020	1.778	0.076		
Complaints from policyholders	3.090	1.511	0.090	5.046	0.041	0.969	1.032
Number training marketing training	2.828	0.496	0.261	5.705	0.000	0.901	1.110
Attended by agents periodical training	3.608	0.629	0.259	5.738	0.000	0.919	1.088
Policy knowledge training	0.612	0.131	0.205	4.663	0.000	0.976	1.024

The Table.5 presents co-efficient of initial regression model. From the Table.5, it can be seen that four independent variables have significant effect on the number of policyholders of the agents. The backward selection method eliminated 16 insignificant variables and the co-efficient of final regression model is shown in Table.6.

The Table.6 shows that four independent variables have significant effect on the number of policyholders held by the agents. The results indicate that satisfaction of the agents with the method of accepting complaints from the policyholders is positive and is equal to 3.090. It denotes when one unit in the level of satisfaction with the method of accepting complaints increases, there will be an increase of 3.090 policyholders for the agents; similarly, when the number of periodic training attended by the

agents increases by one, the policyholders held by the agents increases by 3.608. Also additional marketing training and policy hold by the agents. Multi-collinearity was checked among independent variables using VIF and tolerance estimates.

6. SUGGESTIONS AND CONCLUSION

Findings of the study reveal policyholders' expectation of improved service of micro insurance agents, better risk coverage, and affordable amount of insurance premium-so that their intention of switching over to other insurance companies will be stalled. The performance of multiple regression analysis reveals the variables method of accepting complaints from policyholders, and number of training programmes attended by the insurance

agents in marketing, policy knowledge and periodical training tend to cause variation in the policyholders' strength of the agents. Hence, it is suggested that for improving the purchase of micro insurance policy, the managements of insurance companies should lay down judicious procedures to accept complaints from policyholders. Measures may be devised to reinforce marketing training, policy knowledge training and periodical training programmes of the insurance agents. Micro insurance provides insurance cover to the underprivileged. As a sizeable segment of the population in the study district is poor, illiterate and unorganized, it is imperative on the part of micro insurance companies to cover the entire low income group by promoting investment in micro insurance policy.

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