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LIC POLICY HOLDINGS AND NUMBER OF DEPENDENTS

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Abstract:

Life insurance has become one of the necessities of human life. It offers financial security to the policyholder and/or his/her dependents in the event of his premature death or accidental disability. As death of the bread earner creates severe financial problem before the dependents and as the permanent physical or mental disability also create even more severe financial problems for them adequate financial provision in the form of different life policies is essential. One life policy may not be suitable for all individuals therefore out of different life insurance policies an individual takes out a suitable combination of policies depending up on his financial needs. Number of dependents in the family is one of the important factors in buying decision about the number and types of life policies. The present research has made an attempt to assess the relationship between types of policy holdings and dependents. The research revealed that whole life and endowment policies are more favoured by the samples with zero dependents, with one dependent, with two dependents and with four dependents.

KEY WORDS:

dependents, life policy, financial security, disability, financial provision.

INTRODUCTION:

Life insurance has become one of the necessities of human life. It provides dual benefits to the customers. First, it offers financial security to the policyholder and/or his/her dependents in the event of his premature death or accidental disability and secondly, it helps to accumulate savings for an individual through assured payment of certain money on the expiry of a specified period (in case of Endowment Plans). Again, financial burden of more longevity can also be reduced with the help of life insurance. No doubt, death of the bread earner creates severe financial problem before the dependents, the permanent physical or mental disability also create even more severe financial problems for them, because permanent disability is considered as economic death of a person as his earnings become nil and the expenses continue. Such financial burden can also be reduced to a large extent by making provision through life insurance.

Buying behavior of the customer is complex and ever changing. Buying behavior of life insurance customers is not an exception to this. It depends up on many factors such as education, income, occupation, life style, status, awareness about need of life insurance, saving habits, future financial plan etc. Number of dependents in the family is one of the important factors in determining the types of life policies to be purchased. Life insurance needs differ from individual to individual. A life policy which is suitable for a particular person may not be suitable for the other. Therefore, people buy different types of life policies depending up on their life insurance needs. Taking into account the varied

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needs of the people life insurance companies also make an effort to design products with different features, benefits and suitable to fulfill the varied needs of people from different strata. The basic objective of a firm including insurance company is to development products or services to satisfy customer needs. The firm has to offer such products /services that fulfill the customer expectations. A product is anything that can be offered to the market to satisfy a particular need/want. Philip Kotler defined insurance product as “Unsought (consumer) goods that the consumer does not know about or knows about but does not normally think about buying.” As insurance product is intangible in nature, service quality differentiation is the key for marketing.

LIFE PLANS OF LIC:

Life insurance business is mainly a long term contract. Since its establishment, over a period of fifty seven years, LIC of India has been offering varied range of products in different categories taking into account the varied needs of Indian population. It has introduced such products which will satisfy the customer needs. Affordability, liquidity, profitability as well as social concern are the factors generally focused by LIC of India while designing a product. Since opening of life insurance sector to private insurers, LIC of India has taken utmost care to introduce the competitive products. Since liberalization LIC of India has been introducing innovative and competitive products with standard quality of service. The plans of LIC include:

- Term Insurance Plans
- Whole Life Plans
- Endowment Plans including Money Back plans

The above traditional products include different plans such as Anmol Jeevan, Jeevan Tarang, Jeevan Adhar, Bima Bachat Plan, New Bima Gold, New Jan Raksha, Jeevan Shree, Marriage or Education Endowment etc. Along with these plans there are plans for children including girls, disabled, senior citizens, women, health policies, Unit Linked Plans, Joint Life Policies, pension plans, Micro Insurance Plans etc. with or without riders suiting the varied needs of the customers. For the present research the LIC plans are categorized in eight broad categories as- Whole Life Policies, Endowment Policies, Term Policies, Health Policies, Money Back Policies, ULIPs, Pension Plans and Accident Policies.

RESEARCH METHODOLOGY:

The study is descriptive inferential in nature that establishes the relationship between the number of dependents in the family of sample and the types of LIC policies purchased. The study was undertaken with an objective to assess types of LIC policy holding in defined geography. A sample of 2500 was selected which consists 1321 samples from urban area and 1179 samples from rural area amongst the policyholders of LIC of India in Kolhapur district of Maharashtra (India). Quota sampling method has been used to collect data from all twelve tahasils in Kolhapur district and all eleven branches of LIC in the district. Effort has been made to collect the data from samples with different demographic profile. The secondary data related to conceptual framework and review of literature was collected through reference books, journals, newspapers, websites, office records of LIC of India, by visiting the Divisional Office situated at Kolhapur and Branch Offices spread in Kolhapur District.

A Structured Schedule was used to collect primary data from the respondents. The schedule was divided into different parts. The questions in the schedule were close ended and codified so as to facilitate data feeding and analysis. The first part of schedule consisted of information related to demographic profile of the respondents including number of dependents as 0 to 7and the later part consisted of the types of policies purchased from LIC i.e. Whole Life Policies (WLP), Endowment Policies (EP), Term Policies (TP), Health Policies (HP), Money Back Policies (MBP), ULIPs, Pension Plans (PP) and Accident Policies (AP). The statistical tool percentage was used for analysis and interpretation. SPSS software was brought in use for analysis.

NUMBER OF DEPENDENTS:

The respondents have different Number of dependents depending upon the number of members in the family and type of family i.e. joint or nuclear. Number of dependents for the present study was classified into seven categories viz. 1, 2, 3, 4, 5, 6, 7 which is shown in the following table.

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Table 1
Distribution of samples according to Number of dependents

Sr.	Number of dependents	All samples		Urban		Rural	
		(n=2500)		(n=1321)		(n=1179)	
		Frequency	Percent	Frequency	Percent	Frequency	Percent
1	0	78	3.1	40	3.0	38	3.2
2	1	92	3.7	51	3.9	41	3.5
3	2	770	30.8	403	30.5	367	31.1
4	3	892	35.7	471	35.7	421	35.7
5	4	593	23.7	320	24.2	273	23.2
6	5	74	3.0	36	2.7	38	3.2
7	6	1	.0	-	-	1	.1
Total		2500	100	1321	100	1179	100

Source: (Field data)

Table number 1 shows number of samples according to number of dependents in their family. It has seen that the percentage of respondents having 3 dependents is the highest i.e. 35.7% followed by respondents having 2 dependents with 30.8% and respondents having 4 dependents with 23.7%. These percentages are more or less same for urban and rural samples. There is only one respondent having 6 dependents. There are 3.1% respondents with no dependents. Percentage of respondents with one dependent is 3.7 and with 5 dependents 3. The total of percentage of respondents having 2, 3 and 4 dependents together is 93.2. There are no respondents with seven dependents.

Number of dependents and types of policies purchased:

Number of dependents is an important factor that motivates the head of the family to buy life insurance policy on his life. The number of dependent depends on the type of family i.e. joint family or nuclear family, mortality and birth rate in the family. In the following table an effort is made to show different types of life policies bought by the samples having different number of dependents. Following table depicts the picture of number of dependents and the types of policies bought by the respondents.

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Table 2
Number of dependents and types of policies purchased

Sr.	No. of dependents	Policy taken	WLP		EP		TP		HP		MBP		ULIP		PP		AP	
			Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
1	0 (n 78)	Yes	34	43.6	31	39.7	12	15.4	14	17.9	20	25.6	2	2.6	23	29.5	12	15.4
		No	44	56.4	47	60.3	66	84.6	64	82.1	58	74.4	76	97.4	55	70.5	66	84.6
2	1 (n92)	Yes	50	54.3	49	53.3	14	15.2	7	7.6	27	29.3	3	3.3	25	27.2	7	7.6
		No	42	45.7	43	46.7	78	84.8	85	92.4	65	70.7	89	96.7	67	72.8	85	92.4
3	2 (n770)	Yes	329	42.7	364	47.3	101	13.1	102	13.2	259	33.6	31	4.0	181	23.5	102	13.2
		No	441	57.3	406	52.7	669	86.9	668	86.8	511	66.4	739	96.0	589	76.5	668	86.8
4	3 (n891)	Yes	342	38.4	468	52.5	100	11.2	94	10.5	345	38.7	21	2.4	195	21.9	90	10.1
		No	549	61.6	468	47.5	791	88.8	797	89.5	546	61.3	870	97.6	696	78.1	801	89.9
5	4 (n593)	Yes	269	45.4	289	48.7	84	14.2	76	12.8	173	29.2	21	3.5	175	29.5	77	13.0
		No	324	54.6	304	51.3	509	85.8	517	87.2	420	70.8	572	96.5	418	70.5	516	87.0
6	5 (n 73)	Yes	41	55.4	35	47.3	8	10.8	10	13.5	15	20.3	1	1.4	31	41.9	8	10.8
		No	33	44.6	39	52.7	66	89.2	64	86.5	59	79.7	73	98.6	43	58.1	66	89.2
7	6 (n 1)	Yes	0	0	0	0	0	0	0	0	1	100	0	0	0	0	0	0
		No	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: (Field data)

Table number 2 shows that 43.6% respondents with zero dependents buy whole life policies followed by endowment policies with 39.7%, pension plans 29.5% and money back policies 25.6%. It is seen that the unit linked policies are least favoured by the samples having zero dependents. The percentage of these respondents buying term, a health and accident policy is below 20%. This indicates that the whole life and endowment policies are favoured more by the samples with zero dependents.

54.3% of the respondents having one dependent went for whole life policy followed by endowment policies with 53.3%. Moderately samples accepted money back policies (29.3%) and pension plans (27%) In this category the unit linked plans are not popular since the percentage of buying these plans is meager i.e. 3.3%. Thus it is stated that whole life and endowment plans attracted the samples with one dependent.

It has observed that 47.3% of the respondents with two dependents bought endowment plans followed by whole life policies with 4.7% and money back policies with 33.6%. This indicates that endowment policies are more popular among the samples having two dependents followed by whole life policies. Hardly 4% respondents from this category purchased the unit linked plans showing it low popularity.

52.%% of the respondents having three dependents went for endowment policies followed by money back plans with 38.7% and whole life policies with 38.4%. Since, more than 50% of the respondent having three dependents favoured endowment plans, these plans of LIC found to be the most favoured policies as compared to other plans. Money back and whole life plans are also favoured after endowment plans by the respondents having three dependents. However, samples having three dependents showed lowest response to unit linked plans with just 2.4% and other plans LIC i.e. term plans, health policies and accident policies got the response around 10%.

It has observed that 48.7% samples having four dependents purchased endowment plans closely followed by whole life policies with 45.4% while 29.5% and 29.2% of these respondents went for pension plans and money back policies respectively. This indicates that endowment plans and whole life policies are more popular among the respondents having four dependents with pension plans and money back policies also favoured. Response to the term policies, health policies and accident policies was low and the

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least for unit linked plans with 3.5% response from the respondents with four dependents.

It has observed that respondent having five dependents rated whole life and endowment plans with 55.4% and 47.3% responses followed by pension plans with 41.9%. On the other hand, unit linked policies are rated low by these respondents with mere 1.4%. Thus it has revealed that more than 50% of the respondents having five dependents favoured whole life policies. It is found that the pension plans are also favoured by the samples with 5 dependents with 41.9% responses showing attitude of these respondents to make provision for old age and the dear ones.

FINDINGS:

- 1.The effort has been made to assess the relationship between number of dependents in the family and type of policy opted by sample. It has found that the whole life and endowment policies are more favoured by the samples with zero dependents, with one dependent, with two dependents and with four dependents.
- 2.It has further found that more than 50% of the respondents having three dependents favoured endowment plans, these plans of LIC found to be the most favoured policies as compared to other plans for this category of respondents. Money back and whole life plans are also favoured after endowment plans by the respondents having three dependents.
- 3.Response to the term policies, health policies and accident policies was low and the least for unit linked plans with 3.5% response from the respondents with four dependents.
- 4.It has seen that the term plan, health plans, accident policies are not much popular among the respondent having different number of dependents. It is observed that since, accident benefits are available with other endowment plans the response for independent accident plans is low.
- 5.It has observed that the unit linked plans are the least favoured plans by the samples having zero, one, two, three, four and five dependents. The reason may be not having knowledge of these plans. LIC needs to create awareness about the unit linked plans among the respondents.
- 6.It has revealed that more than 50% of the respondents having five dependents favoured whole life policies, the pension plans are also favoured by these samples with 41.9% responses showing attitude of these respondents to make provision for old age and for the dear ones.)
- 7.It has found that irrespective of number of dependents and the locality of the respondents, the endowment plans are more favoured by the respondents as compared to other plans.
- 8.It has further observed that irrespective of the number of dependents and the locality of the respondents the Health Plans, Pension Plans and Unit Linked Plans are least favoured by the respondents.

SUGGESTIONS:

- 1.Taking into account the analysis and findings of the study it is recommended that LIC should take efforts to popularize the Health Plans, Pension Plans and Unit Linked Plans.
- 2.LIC as well as the individual agents of LIC should not concentrate only on endowment and whole life policies.
- 3.Health policies are going to play a vital role in the country like India where there are inadequate health care facilities not only in urban but also in rural areas, insufficient individual savings to pay for the ever increasing cost of medical expenses. In case of health policy for family, instead of considering the age of elder member it is recommended to consider average age of the members included in the policy so as to reduce the premium.
- 4.The limit on number of members in joint life policy should be increased so as to cover all the dependents in the joint family. Therefore, steps should be taken to cover other family members under joint life policy along with husband and wife.
- 5.Effort should be made to design the policies so as to suit needs of families with varied number of members.
- 6.Riders should be made available for such policies to make them more customized and flexible.
- 7.Still, majority of the Indian population lives in villages. Joint family is the peculiarity of the rural society where numbers of members in the family are large. Therefore, making available insurance policies to cover maximum family members is necessary for more life insurance penetration in the country.

CONCLUSION:

Number of dependents is an important factor that motivates an individual to buy a life insurance policy. The life insurance needs of an individual vary according to the number of dependents. Therefore, for the purpose of covering all dependents/family members under life insurance plan, insurers should

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design such policies suiting varied needs of the families with different number of dependents.

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