

A STUDY ON THE RISK MITIGATION BY THE INSURER AND QUALITY MAINTENANCE

Dr. Prachi Vohra & Ms. Nidhi Chauhan,
AHMEDABAD, INDIA.

INTRODUCTION

The business world is dynamic and full of risks or uncertainties. Risk is the result or effect of happening of any unforeseen event. The future is unpredictable and full of uncertainties. Risks are inherent in economic, political, social, environmental and business activities. Risk is common in day to day life. All precautions are adopted in protect against unforeseen risks. People find out means to minimize the effect of risks. Burden of risks is the greatest problem in connection with risk management. This is because, it relates to risk of some financial loss. The risks occur due to multiple causes.

The risk may be classified as financial and non – financial risks, individual and group risks, pure and speculative risks, static and dynamic risks, quantifiable and non – quantifiable risks. Pure risks are generally insurable in nature. “Prevention is better than cures”, preventive measures are undertaken to minimize risk.

Spreading of risks is termed as “Averaging of risks”. It does not reduce the aggregate amount of potential loss, but does achieve a reduction of uncertainty and it spreads the burden for those who are thus branded together.

In the business world, there are many risks, uncertainties or losses. Generally business people are unwilling to bear risks which bring losses to the firm. Thus, they are transferred. Many natural risks or losses can be avoided through insurance. The importance of Insurance marketing rests on the fact that it helps in minimizing risks. A businessman can easily transfer the risk to the insurer. Insurance

is a contract by which the assure (insurance company) in consideration of the payment of a sum (premium), agrees to pay a specified sum to the insured on the happening of a certain event. The insurer undertakes to indemnify the assured for the loss on the happening of the event.

Risks management is concerned itself with the conversion of a firm’s asset and earning power against risks of accidental loss. The scientific prevention of loss that could result from the proper use of Insurance policy to transfer their risks. It plays a significant role in bringing about social, political and economic development of a country. Risk Management is essential.

- to create the right corporate policies and strategy.
- to ensure effective management of people and process.
- to evaluate the risks of the business.
- to spread and monitor risk effectively.
- to introduce various plans and techniques to minimize the risks.
- to give advice and offer suggestions for handling the risks.
- to create awareness about risks in every aspect of human life.
- to fix the sum assured under the policy and to decide on whether to insure or not.
- To select the appropriate technique or method to manage the risks.

LIFE INSURANCE RISK MANAGEMENT PROCESS

The risk management of life insurance process is depicted in Table1.1

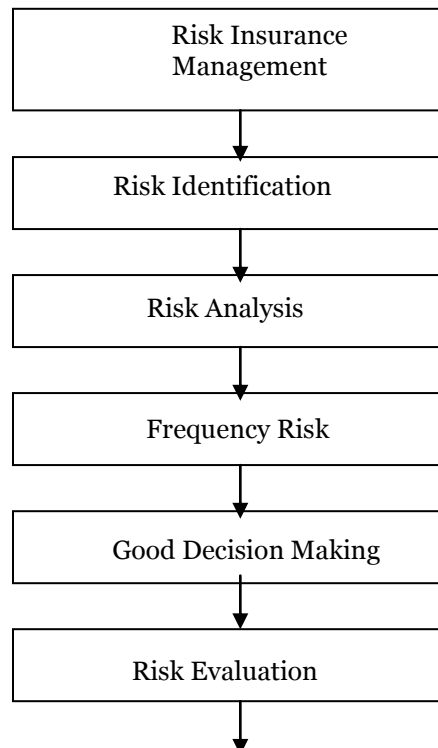
TABLE 1.1
Risk Management of Life Insurance

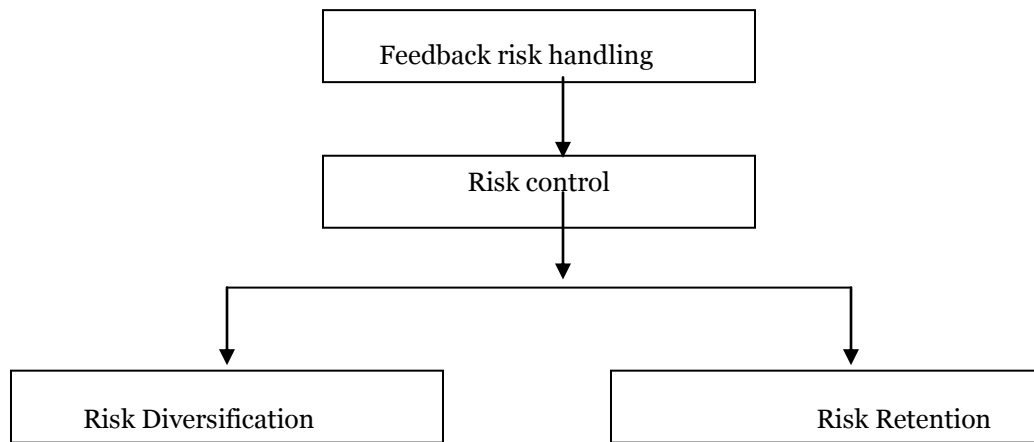
S.NO	Sources of Risks	Tools used
1	The proposal Form	Insurance policy check list
2	Medical Examiner's Report	Analysis of Financial Statements
3	Agent's Report	Risk Analysis Questionnaire
4	Inspection Report	Hazards and Operability studies
5	Private Friend's Report	Physical Inspection of the operation
6	MIS	Flow charts

CHART 1

RISK INSURANCE MANAGEMENT PROCESS

Risk Insurance Management process is shown in the following Chart





Need for Life insurance

The need for Life Insurance is multifaceted.

It is needed to individuals to provide safety of the family in old age as well as on the occurrence of death of the life assured and also it encourages saving among the individuals.

It is needed to special group of individuals to settle the lump sum claims and improving credit worthiness of businessman, Commercial banks and financial institutions insist on insurance of articles, which are kept as security for loans.

Life policy is on asset and businessmen can raise loan against it in the case of any exigency.

Insurance companies as institutional investors can mobilize small national savings in the form of insurance premia. They usually invest these funds in shares and debentures of business companies and also in government securities. This results in faster capital formation in the economy. It provides strong base and protection against loss of property and adequate capital to create wealth. The Insurance reduces the inflationary pressure.

After privatization of insurance sector, more than 12 private players have started the life insurance business in India. life insurance company is one among these private players penetrating into ever rural areas of our country. It gives better yield and much improved quality of service particularly in settling the claims, transferring the policies and revival of policies. Therefore this study attempts to examine the features of the products offered and offer suitable suggestions to the public, to enable them to choose the best schemes introduced by life insurance company.

OBJECTIVES OF THE STUDY:

The main objectives of this study are

- To trace the origin and growth of Life Insurance Company.
- To study the various product offered by life Insurance company Ltd.,
- To study the popular schemes introduced by the study unit.
- To analyze the characteristics of policy holders in the study area.
- To examine the attitude of the policy holders towards Insurance schemes.

HYPOTHESES:

In tune with the objective of the study, hypotheses were formulated that there exists no difference in the importance ratings given by the respondents and the various variables relating to the customer services, the services of agents of the insurance company and the employees' services of . It formulated that there is no relationship between the factors influencing the policy holders and the policy taken, the policy taken and purpose of loan.

METHODOLOGY

The study focuses on attitude of the policy holders towards . The sample size of the policy holders 120. The policy holders having investments in various schemes in Life Insurance were selected as sample respondents for the present study on the basis of convenience sampling method.

The data were collected through pre-tested and well structured questionnaire in Dindigul town. The collected data were analyzed using percentages, K-S test and Chi-square test and Data were presented in Tables, Chart and Diagrams.

ANALYTICAL FRAME WORK

The researcher identified some independent variables which influencing the

levels of attitude of the respondents. They are Gender, Age, Educational, Occupation and Family size.

The calculated value is compared with the table value of Chi square test for given degrees of freedom at 5 per cent level of significance. If at the stated level (5%), calculated value of Chi square is less than the table value of Chi square, it is concluded that the level of opinion is independent of that variables for which Chi square value was calculated and hence the hypothesis can be accepted. If the calculated value is more than the table value, it is considered that the level of opinion is dependent

of that variable. Hence the hypothesis can be rejected.

GENDER COMPOSITION OF RESPONDENTS

Gender is identified as one of the variables, which may have significant association with the level of opinion among the respondents. In order to examine the association between gender and level of the sample respondents, the following null hypothesis has been formulated.

H_0 = "Gender of the respondent does not influence their opinion about Life Insurance Schemes"

TABLE 1

Gender of the respondents and their level of opinion

Gender	Number of respondents			Total
	High	Medium	Low	
Male	49	27	2	78
Female	16	25	1	42
Total	65	52	3	120

(Source: Computed data)

Degrees of freedom = 2

Calculated value = 13.27

Table value of X^2 at 5% level = 5.99

Since the calculated value (13.27) is less than the corresponding table value (5.99) at five per cent level of significance, the null hypothesis, "Gender of the respondent does not influence their opinion about Life Insurance Schemes is rejected.

Therefore it is concluded that there is no significant association between Gender of the respondents and the level of opinion about Life Insurance Schemes.

AGE COMPOSITION OF RESPONDENTS

Age is identified as one of the variables, which may have significant relationship with the level of opinion among the respondents. In order to find out the relationship between age and the level of opinion of the sample respondents the following null hypothesis is formulated.

H_0 = "Age of the respondent does not have any significant association with the opinion about Life Insurance Schemes"

TABLE 2

Age of the respondents and their level of opinion

Age group	Number of respondents			Total
	High	Medium	Low	
Below 25	2	6	2	10
25-55	57	34	1	92
Above 55	5	12	1	18
Total	64	52	4	120

(Source: Computed data)

Degrees of freedom = 4

Calculated value = 11.078

Table value of X^2 at 5% level = 9.49

Since the calculated value (11.078) is more than the corresponding table

value (9.49) at five per cent level, the null hypothesis, "Age of the respondent does not have any significant association with the opinion about Life Insurance Schemes is Accepted.

Therefore it is concluded that there is a significant association between age of the respondents and the level of opinion about Life Insurance Schemes.

EDUCATIONAL OF THE RESPONDENTS

Educational status is identified as one of the variables, which may have

significant association with the level of opinion among the respondents. In order to find out the association between educational status and level of opinion of the respondents, the following null hypothesis is formulated.

H_0 = "Educational of the respondent does not have any significant association with the opinion about Life Insurance Schemes".

TABLE 3
Educational of respondents and their level of opinion

Educational level	Number of respondents			Total
	High	Medium	Low	
Illiterate	4	1	-	5
HSS/UG	14	16	-	30
PG/Professional	47	36	2	85
Total	65	53	2	120

(Source: Computed data)

Degrees of freedom = 4

Calculated value = 4.13

Table value of X^2 at 5% level = 9.49

Since the calculated value (4.13) is less than the table value (9.49) at five per cent level, the null hypothesis, "Educational of the respondent does not have any significant association with the opinion about Life Insurance Schemes is not significant.

Therefore it is concluded that there is no significant association between educational status of respondents and opinion about Life Insurance Schemes.

SUGGESTIONS

In order to eliminate the drawbacks and the problems in Life Insurance Schemes, in the light of inferences of the study, the following suggestions are to be made to improve the quality of Life Insurance Schemes to increase the level of perception of the policy holders.

- After the privatization of Insurance policy, the business becomes very competitive. So Life Insurance Company should have the private insurers in mind while taking the significant business decision.
- The corporation should review the schemes and plans from time to time.
- It is suggested on the part of the Company to adjust the premium and bonus rate to compete with the other private insurers.
- The should come forward to offer more benefit to the policyholders.

- Surrender period and loan period is to be reduced. It will invite more prospects into the business.
- It is recommended on the part of the company to review the commission rate periodically to motivate the agents.
- The high produced agents can be honored by any VIPS.
- The vast majority of the respondents are interest to take the Life Time Gold Policy. So can relax the rules and regulations of the policies.
- Tax benefit is attached only limited schemes but this may be extended too many other schemes also.
- More awareness must be created among the people about the schemes introduced and the reach of the schemes must be checked.
- Latest technology shall be implemented to serve the policy holders in a quick and efficient manner there by reducing the precious time.
- The grievances of the policy holder if any, must be attended and redressed immediately

CONCLUSION

Most of the respondents feels that the agents service, and customer service is very excellent. They admire the service of the life insurance company. Number of people have interested in joining the Life Time Gold policy because they felt that they had to pay only less premium and excellent return. Though life insurance company introduces many schemes, but most of the people get more benefited by the Life Time Gold Policy.

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