POSTAL LIFE INSURANCE: ITS MARKET GROWTH AND POLICYHOLDERS' SATISFACTION

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Abstract

Postal Life Insurance (PLI) is the oldest Life insurer in India and it offers seven different plans to the employees of Central and State Governments, public sector companies, educational institutions etc. This empirical and analytical study aims to measure the growth of PLI and also analyze the policyholders' satisfaction. The responses were collected from policyholders who are working in postal department, educational department and the public sector banks in Coimbatore and Tiruppur Districts of Tamil Nadu State. Purposive sampling technique was adopted and questionnaire has been used to collect primary data from policyholders. This study measures the growth of PLI with the help of no. of policies attracted by PLI and its sum assurance. Secondary data has been collected from official records of Department of Posts during the periods from 2001-2002 to 2009-2010. The study reported that there is a less annual growth of PLI during the study period from 2001-2002 to 2009-2010. Further, the policies attracted under PLI on yearly average base during the study periods was 29, 75,388 nos. with its sum assurance of Rs. 257 Billion. In addition, policyholders' perception towards their satisfaction survey reported that more than 4/5th of them having high satisfaction about PLI. The availability of loan facility to the scheme, procedure for settlement of claims, bonus offered by PLI is the major drivers for determine the satisfaction level among policyholders. The chi-square analysis reveals that personal factors like gender, age group, monthly income and purpose of saving of the policyholders is not associated with their satisfaction.

Keywords: Postal department, Life Insurance, Market Growth, Policyholders, Satisfaction

Introduction

Life insurance in India has its history dating back to 1818 through the Europeans Life Insurance Company in capital city of West Bengal with the intention of fulfill the needs of European community. In 1870, the first Indian life insurance company named as "Bombay Mutual Life Assurance Company" covered Indians at normal rates before that foreign life

insurance companies collecting heavy premiums. PLI was approved in1884 before that PLI was welfare scheme of postal employees in 1881 and in the year 1888 extended to the employees of Telegraph department. Presently, PLI covers Central and State Govt. employees including its Undertaking companies, Universities, Government aided Educational institutions, Nationalized Banks, Local bodies etc. PLI also extends the facility of insurance to the officers and staff of the Defence services and Para-Military forces. PLI is an exempted insurer under the Insurance Act, and LIC Act, 1956. The PLI offers different plans to their policyholders with several premium bases. They are, Whole Life Assurance (SURAKSHA), Convertible Whole Life Assurance, (SUVIDHA), Endowment Assurance (SANTOSH), Anticipated Endowment Assurance (SUMANGAL), Joint Life Assurance (YUGAL SURAKSHA), Children Policy and Scheme for Physically handicapped persons. The success of the PLI depends on the market growth and policyholder's view. In order to find the answer to the above view, the Researcher undertakes this research titled "Postal Life Insurance: Its Market Growth and Policyholders' Satisfaction" with the following objectives.

Objectives of the study

- ❖ To measure the growth of PLI in the Indian context
- ❖ To assess and analyze the policyholders' satisfaction level
- ❖ To find out factors that determine the lower and higher satisfaction group of policyholders under PLI

Hypotheses of the study

Ho_1: There is a slow growth of PLI in India.

Ho_2: There is a less number of policyholders of PLI have higher satisfaction.

Ho_3: There is no significant relationship between personal factors of the policyholders and their satisfaction level.

Ho_4: $f_1, f_2, f_3, f_4, \ldots\ldots\ldots f_n$ has determine the satisfaction level of policyholders.

Review of literature

Dhiraj & Nikita (2012)[1] find out the awareness level towards the rights and duties of the life insurance policy holders across various age groups and income level. This study concludes

that there is a significant association between the age groups, income level and the awareness towards the rights and duties regarding life insurance. Gautam and Kumar (2012)[2] their findings of the research shows that basic socio demographic and economic variables like age, gender, marital status, level of education, household monthly income, mode of employment, professional inclination and mortgage property ownership, have significant impact on consumers' attitudes towards insurance services in Indian scenario. Syamala Rao (2012)[3] focused on the service quality being offered by LIC and to analyze various problems through the perception of policyholders of LIC in Srikakulam District of Andhra Pradesh. Majority of the customers were satisfied with the LIC policies and its services (Judal and Raval, 2012)[4]. The next empirical and analytical research reported that the availability of services and grievance redresal mechanism is the major two factors among policyholders' satisfaction in Madurai Division of LIC (Arulsuresh, 2011)[5]. Venkatachalam and Sivakumar (2010)[6] studied the insurance policyholders' satisfaction of rural areas. Vijayalakshmi and Keerthi (2007)[7] identify the difference between the level of perception and expectation on the various issues relating to the services, problems, infrastructure, staff / employees of the insurance companies through gap analysis. Namasivayam et al., (2006)[8] examined the socioeconomic factors that are responsible for purchase of life insurance policies and the preference of the policyholders towards various types of policies of LIC. From the analysis, the study concluded that factors such as age, educational level and sex of the policyholders are insignificant, but income level, occupation and family size are significant factors.

Research Methodology

This Empirical and analytical research design depends upon both secondary and primary data. The secondary data related to policies forced as well as sum assured under PLI helps to measure the growth of PLI and it was collected from official reports of Dept. of Posts (DoPs) during the study periods from 2001-2002 to 2009-2010. Further, the survey has been conducted with the help of self-administered questionnaire and issued to several respondents who have PLI policies in the sample districts of Coimbatore and Tiuppur Districts of Tamil Nadu State. The primary data were collected during April to December'2013. The selected sample respondents restricted in postal department,

education department and public sector banks. Among them the valid response rate of 57% were taken as a total sample and it decided through the application of discriminant model. Purposive sampling method is most suitable for present research. Inference of the depends on the application of statistical tools like % analysis, mean, Standard Deviation (SD), Co-efficient of Variation (CV), Compound Annual Growth Rate (CAGR), Comparative Growth analysis, Chi-square test (χ^2) and as per the recommendations (hundred percent of variation explained by the data, the eigen value >=3.5, Wilks Lambda = 0.21, calculated value of χ^2= 170.7585** significant @1% with 5df) discriminant function was adopted. The canonical correlation also strongly supported to discriminant model because the correlation value comes out >0.8.

Analysis and discussions

The collected secondary & primary data are analyzed with the help of various tools and it was presented in tabulation and graphical form.
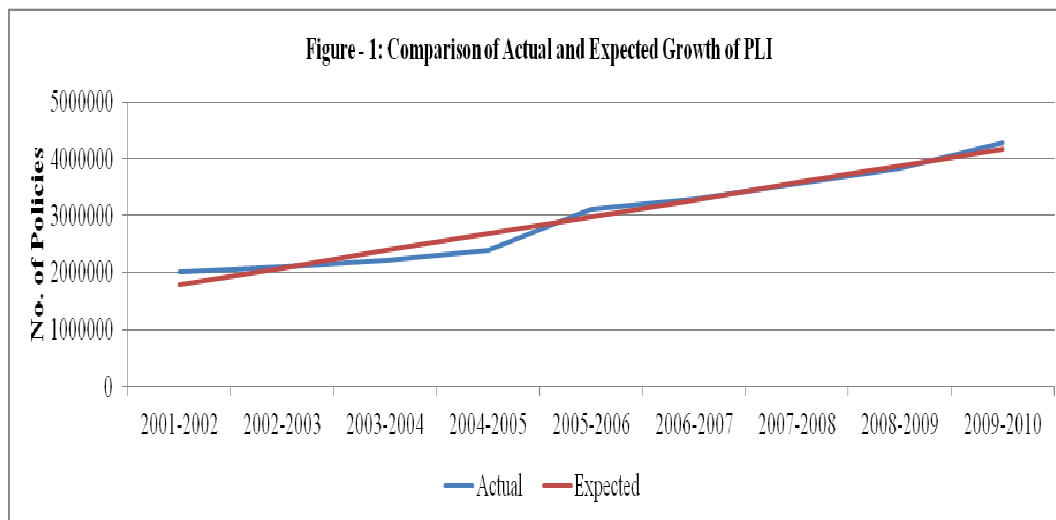
Growth of PLI in India

Measure the growth of PLI with respect to no. of policies forced and sum assured during the study period from 2001-2002 to 2009-2010.
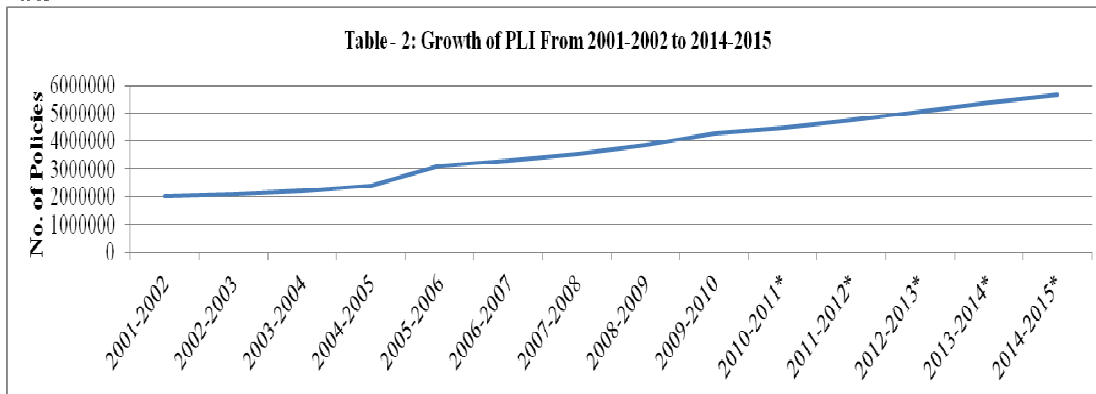
Table - 1:Performance of PLI From 2001-2002 to 2009-2010		
	No. of Policies in Force	**Sum Assured (in Rs. Billion)**
Average	2975388	257.06
SD	832338	128.89
CV (%)	27.97	50.14
CAGR (%)	9.93	20.05
Source: Secondary data		

The growth of PLI with respect to no. of policies during 2009-2010 was at 42,83,302 compared to 38,41,539 during the year 2008-2009 indicating an increase of 11.5% over the year of 2008-2009 but 113% over the year of 2001-2002 and the actual growth of policies under PLI in India increased during the study period from 2001-2002 to 2009-2010 (Refer Figure - 2). Further, the actual growth of policies under PLI lesser than the expected growth during the period 2003-2004, 2004-2005, 2007-2008 and 2008-2009 (Refer Figure – 1). This

is followed by no. policies forced under PLI on yearly average based on the nine years was 29,75,388 while SD was 8,32,338 million and CV was 27.97% (Refer Table – 1). In addition, the most favored year on growth of no. of policies forced under PLI was found to be 2009-2010 and least favored year of 2001- 2002 (Refer Figure – 2). Further, this study predicts the future growth of PLI which will reach around or more than the 5.66 million policies in the year of 2014-2015 (Refer Figure – 2) with the growth of 32% than 2009-2010. The insurance policies and its sum assurance under PLI have grown at a CAGR of 9.93% and 20.05% respectively for the nine-year periods from 2001-2002 to 2009-2010 (Refer Table – 1). On the other hand, The growth of sum assured under PLI during 2009-2010 was at Rs. 512.10 Billion compared to Rs. 384.03 Billion during the year 2008-2009 indicating an increase of 33.33% over the year of 2008-2009 and the actual growth of sum assured under PLI in India increased during the study period from 2001-2002 to 2009-2010 (Refer Figure - 4). Further, the actual growth of sum assured under PLI lesser than the expected growth during the period 2003-2004 to 2008-2009 (Refer Figure – 3). This is followed by sum assured under PLI on yearly average based on the nine years was Rs. 257.06 Billion while SD was Rs.128.89 and CV was 50.14% (Refer Table – 2). In addition, the most favored year on growth of sum assured under PLI was found to be 2009-2010 and this study predicts the future growth of PLI with respect to its sum assurance which will reach around or more than the Rs.662.50 Billion in the year of 2014-2015 (Refer Figure – 4) with the growth of 30% than 2009-2010.

Figure - 1: Comparison of Actual and Expected Growth of PLI

Source: Secondary data

Table - 2: Growth of PLI From 2001-2002 to 2014-2015

Source: Secondary data; * forecast

Figure - 3: Actual and Expected Growth of Sum Assured under PLI

Source: Secondary data

Figure - 4: Growth of Sum Assurance under PLI From 2001-2002 to 2014-2015
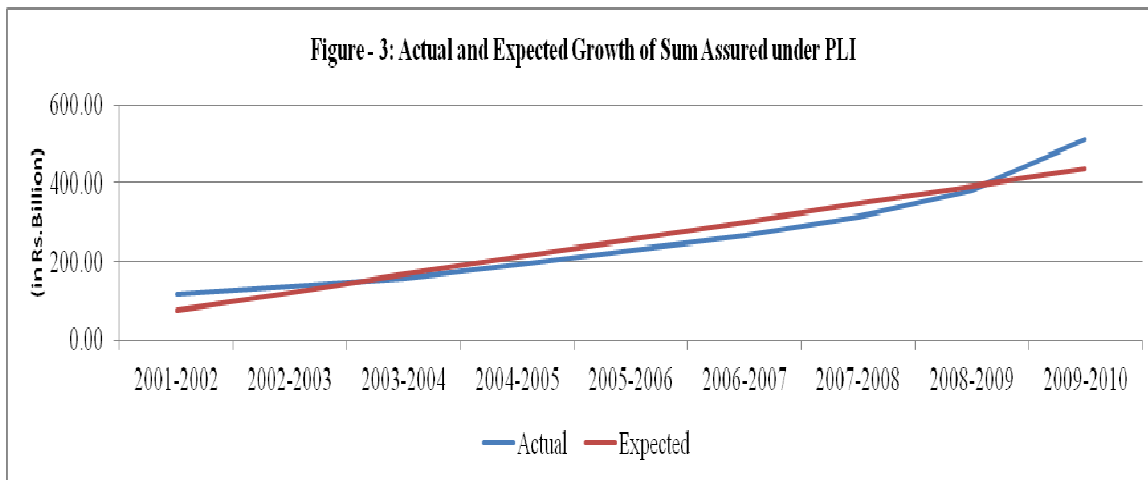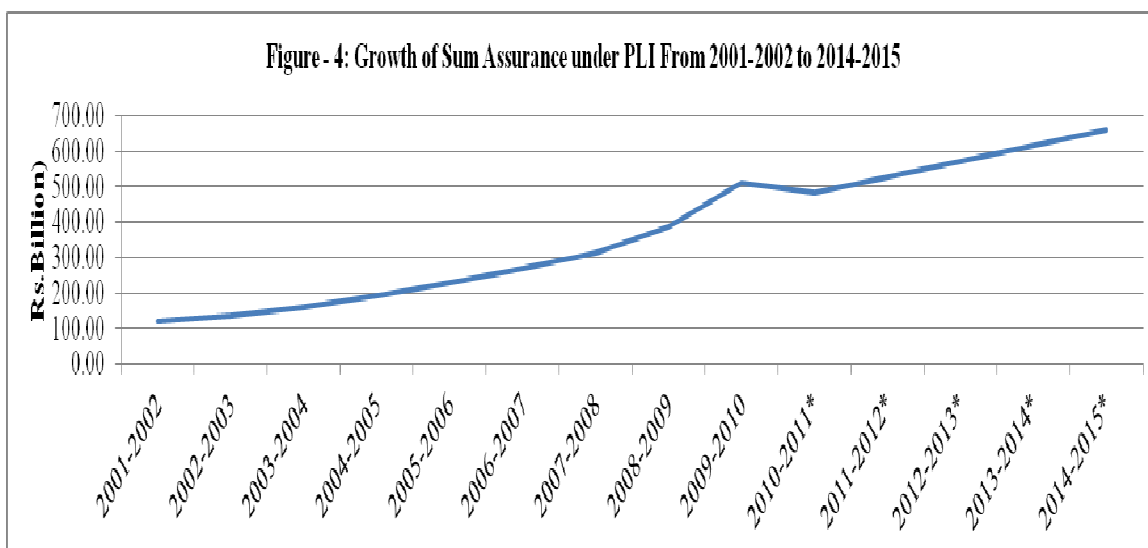
Source: Secondary data; * forecast

Gender of the policyholders

The distribution of the policyholders based on their gender is that $7/10^{th}$ of the policyholders are male and the remaining $3/10^{th}$ is female.

Age group of the policyholders

The classification of the policyholders is inferred that 45% of the policyholders belong to the age group of 36-50 Years, 35% of them belong to the age group of 4bove 50 years and the remaining 1/2th of the policyholders belongs to the age group of upto 35 years.

Monthly income of the policyholders

Distribution of the policyholders of PLI based on their monthly income is concluded that nearly half of the policyholders' monthly income is above Rs.30, 000.

Policyholders' purpose of saving under PLI

Nearly $1/3^{rd}$ of the policyholders have purchased life insurance policies for the purpose of old age income, more than $1/4^{th}$ of them purchased for family protection. This is followed by 21.5% of the policyholders are purchased life insurance policies for the purpose of reduction of tax payment and 19.5% of them purchased life insurance policies for protection of unexpected circumstances.

Influencing persons of buying PLI among policyholders

$3/10^{th}$ of the policyholders purchase life insurance policies under PLI based on the suggestion given by Agents/friends/relatives. 27% of policyholders are influenced by advertisements and 18.5% of them by self.

Policyholders' satisfaction level

Distribution of the policyholders based on their satisfaction is conclude that more than $4/5^{th}$ of the policyholders have higher satisfaction under PLI services.

Relationship of personal factors of the policyholders and satisfaction level

Ho: There is no significant relationship between gender, age group, monthly income, purpose of saving of the policyholders and their satisfaction level.

Ho_1: There is a significant relationship between gender, age group, monthly income, purpose of saving of the policyholders and their satisfaction level.

Table -2: Relationship of Personal Factors and Policyholders' Satisfaction

Personal Factor	χ^2	df	Result
Gender	0.149	1	Accept Ho & Reject Ho_1
Age group (in years)	1.131	2	Accept Ho & Reject Ho_1
Monthly income (in Rs.)	.061	2	Accept Ho & Reject Ho_1
Purpose of saving	1.005	3	Accept Ho & Reject Ho_1
Source: Primary data			

Table –2 shows that the calculated value of χ^2 between gender, age group, monthly income, purpose of saving of the policyholders and their satisfaction level comes out $< \chi^2$ table value @ 5% significant level. So, Accept Ho and Reject Ho_1 and it can be reported that there is no significant relationship between gender, age group, monthly income, purpose of saving of the policyholders and their satisfaction level.

Relative importance of predictor factors towards determination of satisfaction among policyholders of PLI

Discriminant model is a statistical technique which allows tostudy the differences between two or more groups with respect to several variables simultaneously and of classifying any object into the group with which it is most closely associated and to infer the relative importance of each variable used to discriminate between different groups. Among the different factors under $D = L_1.f_1 + L_2.f_2 + L_3f_3 + L_4f_4 + L_5f_5 + L_6f_6 \ldots\ldots\ldots\ldots + L_K.f_K$, but the relative importance of each predictor variables in discriminating between the satisfaction groups is obtained, three factors namely, availability of loan facility to the scheme (f_3), procedure for settlement of claims (f_5) and bonus offered by PLI (f_9) are substantially important variables in discriminating between groups of policyholders' satisfaction. Further, the variance of all the factors of PLI significantly between lower and higher acceptance with various groups of wilks' lambda and the f value significantly differ than 1% and 5% significant level (Refer Table – 3). This discriminant model fitted ($D = -7.723 + .293 f_2 + .644 f_3 + .355 f_4 + .363 f_5 + .458 f_9$) and the observed predictor variables of the policyholders are classified and the correct % of classification is that out of twenty one policyholders with lower satisfaction, but those were correctly classified; out of ninety three policyholders with higher satisfaction about PLI were correctly classified. Hence the percentage of correct classification is 100% of original

grouped cases correctly classified. The percent of correct classification of policyholders using the observed clearly indicates adequacy of the model in discriminating between the satisfaction groups.

Table - 3: The Relative Importance of variables in Discriminating Between the Satisfaction Groups						
	Lower		Higher			Relative Importance
Factors	Mean	SD	Mean	SD	Wilks' Lambda	F (DF = 1,112)
Return on investment (f_1)	1.381	0.669	3.860	1.426	>0.6	60.132**	-
Insurance plan offered by PLI (f_2)	1.476	0.680	4.097	1.104	>0.5	108.570**	15.49 (Rank IV)
Availability of loan facility to the scheme (f_3)	1.429	0.598	4.194	1.056	>0.4	133.769**	35.93 (Rank I)
Responsiveness from agents/Postal department (f_4)	2.095	1.179	4.215	0.907	>0.5	83.298**	15.18 (Rank V)
Procedure for settlement of claims(f_5)	1.476	0.750	3.914	1.340	>0.6	64.586**	17.85 (Rank II)
Complaints handled by postal department(f_6)	1.857	1.062	3.753	1.396	>0.7	34.149**	-
Procedure for change of nomination/Address (f_7)	3.048	1.161	3.602	1.065	>0.9	4.500*	-
Procedure towards conversion of policies(f_8)	2.286	0.717	3.860	0.939	>0.6	52.003**	-
Bonus offered by PLI (f_9)	2.286	0.717	3.968	1.005	>0.6	52.608**	15.54 (Rank III)
Source: Primary data; *Significant @5% level & **Significant @1% level						

Conclusion

The above completed research reported that the growth of PLI market according to policies and its sum assurance have grown at a CAGR of 10% and 20% respectively during the study periods. Further, this study found that the growth of PLI which will reach around or more than the 5.66 million policies with assured Rs.662.50 Billion in 2014-2015. Finally, this study concluded that the availability of loan facility to the scheme, procedure for settlement of claims, bonus and insurance plan offered by PLI, responsiveness from postal department is the major drivers of determine the policyholders' satisfaction level.

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