Business Opportunities For The Insurance Sector:
An Empirical Study Among Teachers Of S.P. University

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INTRODUCTION

In some sense, we can say that insurance appears simultaneously with the appearance of human society. We know of two types of economies in human societies: money economies and non-money or natural economies. The second type is a more ancient form than the first. In such an economy and community, we can see insurance in the form of people helping each other.

NEED FOR INSURANCE

Insurance, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. Insurance is defined as the equitable transfer of the risk of a loss, from one entity to another, in exchange for a premium. Insurer is the company that sells the insurance. Insurance rate is a factor used to determine the amount, called the premium, to be charged for a certain amount of insurance coverage.

DEFINITION OF RISK

Qualitatively, risk is proportional to both the expected losses, which may be caused by an event and to the probability of this event. A greater loss and greater event likelihood results in a greater overall risk.

Almost each one of us has bought or plans to buy life insurance. The usual process is contacting an insurance agent who helps you to estimate the policy value and goes ahead and buys the policy on your behalf. So, you feel good that you now have a life policy showing how much your worth is! Take a step back before you buy that policy. Have you ever considered buying more than one policy value you desire? There are some great gains in doing so. These are during financial lows, distributing your estate, taking loan, tax benefits, meeting your life goals etc.

RESEARCH METHODOLOGY

A good research work requires a clear scientific methodology because only through the application of correct methodology i.e. selection of sampling techniques, appropriate tools of data collection, etc.; well founded conclusions can be drawn on the phenomenon under consideration [6].

OBJECTIVES OF THE STUDY

1. To find out the market share of the insurance companies.
2. To find out the opportunities in the insurance sector.
3. To find out the trend of investment in LIC and Private insurance organizations.
4. To find out the popular policies (Product Research).

SCOPE OF THE STUDY

1. It helps the Insurance companies to increase their market share.
2. It helps to analyze the gap between expected investment and actual investment of the customers.
3. It aims to study the popularity of the different insurance schemes.
4. It assesses the overall quality of services provided by the insurance companies.

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LIMITATIONS OF THE STUDY

1. It is assumed that the investment details given by the respondents are true and honest.
2. The study is applicable only to the teachers of Sardar Patel University and not to any other population.
3. Entire analysis of the study, its findings and conclusions are based on the data collected through 145 samples.

RESEARCH DESIGN

Research design constitutes the blue print of collection, measures and analysis of data. Here in this study, the researcher used Descriptive Research Design, which is concerned with describing the characteristics of a particular individual, or of a group. The survey was conducted using in-person delivery techniques [3].

SAMPLING PLAN AND SAMPLE SIZE

SAMPLING PLAN

In this survey, stratified sampling method is used. All teaching faculties under S.P.University were defined as population, consisting of 62 colleges and 24 PG departments. The survey was conducted in September, 2008. The teachers of S.P. University are stratified in five strata-Arts, Commerce and Science Colleges, P.G. Department and other disciplines.

SAMPLE SIZE

Here in this study, the researcher decided to take 12% of the population as a sample (by considering the time and cost factors) in such a way that our sample should be representative of the population. Our population size was N =1239 and 12% of this is approximately n=145.

QUESTIONNAIRE DESIGN

The survey questionnaire was prepared by looking at the objectives of the survey. In the questionnaire, necessary instructions were given in bold letters and in easily comprehensible language. Before starting the actual data collection, the survey questionnaire was tested on 15 respondents for its simplicity, so that respondents could understand the information required and fill up the questionnaire quickly. The response format for most of the questions was standardized to reduce the time needed to complete the survey[1]. However, a space was also provided for the responses. The demographic questions were given at the beginning of the questionnaire. This decision was made based on the "foot-in the door" survey approach, which states that if one agrees to perform a small task, they are more likely to agree later to perform a larger task[2]. The demographic questions were for name, address, age, designation, contact number, which could be considered by some people as sensitive information. In general, the researcher did not find any difficulties in getting such information.

RESULTS AND DISCUSSIONS

The survey respondents were from Sardar Patel University. Table 1 shows the summary of the survey activity.

Table 1: Cross Tabulation Between Designation and Investment In Insurance Sectors

Designation	Investment in the Sector			Total
	Govt. (LIC)	Pvt.	Both Sectors	
Lecturer	45	1	4	50
Sr. Scale Lecturer	27	0	6	33
Reader	26	0	6	32
Professor	25	1	4	30
	123	2	20	145

Data Source: Survey data

Table 1 reveals that Government insurance sector - LIC covers the entire market of insurance. It also reveals that, irrespective of category, almost all teachers preferred LIC as opposed to Private insurances.

Table 2: Descriptive Statistics of Annual Investment In Insurance Sector

Designation	Annual Investment						
	N	Minimum (Rs.)	Maximum (Rs.)	Sum (Rs.)	Mean (Rs.)	Std. Error (Rs.)	Std. Deviation (Rs.)
Lecturer	41.00	876.00	52870.00	366639.00	8942.41	1595.36	10215.26
Sr. Lecturer	29.00	1906.00	51761.00	432088.00	14899.59	2394.84	12896.63

Reader	26.00	804.00	48017.00	309112.00	11888.92	2485.66	12674.43
Professor	29.00	1184.00	30183.00	344716.00	11886.76	1542.26	8305.31
Overall	125.00			1452555.00	11620.44	996.39	

Data Source: Survey data

Table 2 reveals that the average investment in insurance is Rs. 11620.44 (± 996.39) per annum. The Sr. Scale Lecturer invests much more than other groups of teachers. Readers & Professors invest the same amount in insurance per annum. The minimum investment is Rs. 804.00 and the maximum investment is Rs. 52870.00.

BUDGET 2008-09: INCOME TAX EXEMPTION LIMITS

New Delhi : 29 February 2008 : Finance Minister P Chidambaram brought cheer to the individual taxpayer by raising the basic income tax exemption limit from Rs1,10,000 to Rs1,50,000. The move saw the individual save at least Rs4,000 in taxes in the financial year 2008-09.

The exemption for women asseesees was raised from Rs1,45,000 to Rs1,80,000, while that for senior citizens was raised from Rs1,95,000 to Rs2,25,000.

Mr. Chidambaram also changed the slabs at which the various tax rates will apply but did not tinker with the surcharge. General assesees will pay no tax for income up to Rs1,50,000.

Beyond Rs1,50,001 and up to Rs3,00,000, a tax rate of 10% was applicable. The 20% tax rate was applicable in the Rs3,00,001-5,00,000 slab and anything beyond Rs5,00,000 was taxed at 30%. The 3% surcharge on tax at all levels remained.

Table 3: Summary Statistics For Actual Investment

	Salary p.a.		Investment in insurance p.a..		Salary to investment ratio	
	Male	**Female**	**Male**	**Female**	**Male**	**Female**
N	112.00	13.00	112.00	13.00	112.00	13.00
Mean	326292.11	335076.92	11781.83	10230.00	3.92	3.16
Median	**338400.00**	**300000.00**	**8278.50**	**4678.00**	**2.74**	**2.17**
Mode	216000.00	216000.00	10000.00	1377.00	0.20	0.30
Sum	36544716.00	4356000.00	1319565.00	132990.00		

Data Source: Survey Data   * 20 teachers refused to give the investment figure

Table-3 reveals that *salary to investment ratio for Men* is about 2.74% (median) and for women, it is 2.17% of the total salary in insurance per p.a. As per Government rules, employees can invest up to 1, 50,000.00 for men and 1, 80,000.00 for women of their total salary to get maximum tax benefit and insurance sector is one of the most important sectors to invest in.

Table 4: Summary Statistics for Actual Investment Vs Required Investment

Salary p.m.	Salary p.a.	Taxable Income	Required Investment	Actual Investment in Insurance	Taxable Income	Required Investment	Actual Investment in Insurance
18000	216000	66000	30.56%	2.74%	36000	16.67%	2.17%
23000	276000	126000	45.65%		96000	34.78%	
26000	312000	162000	48.08%		132000	42.31%	
32000	384000	234000	39.06%		204000	46.88%	
40000	480000	330000	31.25%		300000	37.50%	

Data Source : Survey Data

Table-4 reveals that the percentage of salary invested in insurance is much lesser than the required figure. This may occur due to lack of awareness or the investment is being done in other sectors. It clearly indicates that the insurance sector still has a lot of scope for business.

Table 5: Frequency Distribution of Different LIC Programs

	Multiple Responses		Percent of Cases
LIC Programs	**N**	**Percent**	**N**
Life insurance	128	74.42	88.27
Health insurance	10	5.81	6.89
Pension plan	8	4.65	5.51
Children plan	14	8.13	9.65
Others	12	6.97	8.27
Total	172	100	118.62

Data Source: Survey data

Table 5 reveals that Life Insurance is the most preferred insurance program, almost covering 74.42% Government

insurance business (LIC).

Table 6: Cross Tabulation Between Age Group and LIC Programs

| Age group | LIC Programs | | | | | |
	Life Insurance	Health Insurance	Pension Plan	Children plan	Others	Total
25-34	50	0	1	4	4	54
35-44	33	4	3	10	7	45
45-54	32	5	3	0	1	33
55 & above	13	1	1	0	0	13
	128	10	8	14	12	145

Data Source: Survey data

Table 6 reveals that Health insurance increases as age increases. It is surprising that people in the age-group of 25-35 years have no Health insurance; actually, at this age, they can get health insurance at a very low premium. The children plan is preferred in the lower age groups.

Table 7: Cross Tabulation Between Types of Policy Coverage and Age

	Policy Coverage	Single coverage policy	Double coverage policy	Multiple coverage Policy	Total
Age group	25-34	50	3	0	53
	35-44	37	5	3	43
	45-54	32	2	0	33
	55 & above	12	0	1	13
Total		131	10	4	142

Data Source: Survey data

Table 7 reveals that single coverage policy is the most preferred insurance coverage as compared to double and multiple coverage.

Table 8: Different Types of Insurance Schemes

| | Name of the Insurance Scheme | | | | | | | |
	Whole life	Endowment	Term	Pension	Moneyback	Health	Children	Others
Total	3	97	4	12	67	5	17	13
Percentage	1.38%	44.50%	1.83%	5.50%	30.73%	2.29%	7.80%	5.96%
Overall Total	218							

Data Source: Survey data

Table 8 reveals that Endowment and Money-back are the most preferred schemes for investment as compared to other schemes.

Table 9: Overall Descriptive Statistics for Policies

	Minimum	Maximum	Sum	Mean	Std. Error
Policy amount	20000.00	500000.00	12365000.00	98134.92	8427.61
Term of the policy	10.00	30.00	--	19.51	0.38
Amount of premium:	1920.00	27800.00	581114.00	4763.23	469.25

Data Source: Survey data

Table 9 reveals that the average amount of policy is Rs. 98,135/- and the average term of policy is 20 years approximately. The average premium payment per year is Rs. 4763/-.

Table10: Mode of Payment of Premium* Designation Cross Tabulation

| Mode of payment of premium | Designation | | | | |
	Lecturer	Sr. Scale Lecturer	Reader	Professor	Total
Yearly	30	18	15	17	80
Half-yearly	4	4	5	4	17
Quarterly	4	4	1	0	9
Monthly	2	3	5	6	16
Total	40	29	26	27	122

Data Source: Survey data

From the Table 10, we conclude that 66% of the teachers prefer paying premium yearly as compared to other modes.

<p style="text-align:center">Table11: Rate The Services Provided By The Company</p>

	Very satisfied	Satisfied	Neutral	Not satisfied	Not at all satisfied
Services given by the advisor	43	58	16	15	11
Services provided by the branch maintaining the policy	26	12	61	34	10
Bonus or returns	38	19	33	44	9
Total	107	89	110	93	30
Percentage	24.94%	20.75%	25.64%	21.68%	6.99%
Top box	**45.69%**		**25.64%**		**28.67%**

Data Source: Survey data

Table 11 reveals that service given by the advisors is at a satisfactory level as in comparison to other services. It is observed that 45.69% are very satisfied or satisfied with respect to overall services. Whereas, 28.67% are not satisfied or not very satisfied by the overall services.

<p style="text-align:center">Table 12: Market Share of the Private Companies</p>

Are you investing in	Frequency	Percent of Cases N
AVIVA	4	11.43%
HDFC Standard Life	1	2.86%
Reliance	6	17.14%
Bajaj Allianz	2	5.71%
ICICI Prudential	17	48.57%
Kotak Mahindra	2	5.71%
Birla Sunlife	1	2.86%
Max New York	1	2.86%
Any other	1	2.86%
Total	35	

Data Source: Survey data

Table 12 reveals that ICICI Prudential has the highest (48.5%) market share. Reliance (17.14%) and AVIVA have 11.43% of the market share.

<p style="text-align:center">Table 13: Satisfaction Rate of the Services provided By The Company</p>

	Very satisfied	Satisfied	Neutral	Not satisfied	Not at all satisfied
Services given by the Advisor	12	8	1	1	1
Services provided by the branch maintaining the policy	10	10	2	1	0
Bonus or returns	9	5	7	2	0
Total	31	23	10	4	1
Percentage	44.93%	33.33%	14.49%	5.80%	1.45%
Top box Percentage	**78.26 %**		**21.00 %**		**7.25%**

Data Source: Survey data

Table 13 reveals that overall; the teachers are satisfied with services given by the private insurance companies.

<p style="text-align:center">Table 14: Influencing Factors For Purchasing Insurance</p>

Influencing factor	No	Yes
Reputation	119 (82%)	26 (18%)
Friends	107 (74%)	**38 (26%)**
Advertisement	135 (93%)	10 (7%)
Relatives	123 (85%)	22 (15%)
Advisor	83 (57%)	**62 (43%)**
Proximity	135 (93%)	10 (7%)
Tax benefits	113 (78%)	**32 (22%)**
Do you get the information about the new products from advertisement?	126 (87%)	19 (13%)
Do you get the information about the new products from advisor?	28 (19%)	**117 (81%)**

Data Source: Survey data

Table 14 reveals that Advisors, Friends and Tax Benefits are the most important influencing factors in purchasing the insurance.

regular movement of products with the help of concerned representative (mostly through sincere work) and being considerate while stocking the wholesalers were certain points to give importance to.

END POINTS

By their very nature, service organizations are potentially closer to the customers than companies involved in manufacturing. But, unfortunately, marketing has come late to the services sector. Although it is well accepted that marketing orientation is vital to competitive success, companies often find it hard to achieve. The process of changing to marketing orientation sometimes appears to be deceptively simple but demands genuine and ongoing commitment at top management level. Therefore, the chief executive needs to be a champion of marketing. A thorough analysis of competitive and marketing environment in which the company is placed is of vital requirement, and conducting management development programme as per the need of the organization are some of the important criteria if a company needs to put its face towards marketing orientation and customer focus.

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FINDINGS OF THE STUDY

1. LIC has covered almost entire (85%) market share of the insurance sector (Among the teacher community).
2. Average investment in insurance by a teacher is Rs. 11620.44 ($\pm$ 996.39) per annum.
3. The actual salary to investment ratio for men is 2.74% and for women, it is 2.17%, which should be raised up to 25% to get the maximum tax benefit. It shows the tremendous opportunities for the insurance sector.
4. Endowment and Money-back are the most preferred schemes for investment as compared to other schemes.
5. In the private insurance companies, ICICI prudential has covered almost 50% of the market share.
6. Service quality level of the private insurance sector (78%) is higher than the LIC (46%).
7. Advisors, Friends and Tax Benefits are the most important influencing factors in purchasing the insurance.

SUMMARY AND CONCLUSION

This study has tried to explore the business opportunity available for the Insurance sector. The Government sector like LIC has the major hold (85%) in the market. Even in the private sector, about 48% of the market is covered by ICICI Prudential itself. This reveals that other companies have tremendous opportunities in this sector by competing with the major players. This study reveals that to get the maximum tax benefits, teachers have to invest at least 25% more than what they are currently investing. If they invest in the insurance sector and if insurance companies can divert this investment percentage into their sector, they will have a huge business.

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