

Effectiveness of Process Related Strategies of Public and Private Life Insurance Companies in Perambalur District

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Abstract: The effectiveness of processes of life insurance companies is the prime concern for policyholders to choose a particular insurance company. Here researcher attempts to analyze the effectiveness of process related strategies of public and private life insurance companies in perambalur district with the objectives of analyzing claim settlement time, ease of claim settlement formalities and policyholders' dependence of insurance agent or insurance company employee for claim settlement. Here researcher adopts descriptive research design and used well-structured questionnaire for data collection. 100 samples each from both public and private life insurance companies are collected using simple random method. From the data analysis it is concluded that public life insurance company is effective in process related strategies than private life insurance companies.

Keywords: Process of Life Insurance Company, Claim Settlement time, Claim settlement formalities, Policyholders dependence on agent, Policyholders dependence on insurance company employee.

INTRODUCTION

The insurance is primarily a social device adopted by civil society for mitigating the incidence of loss of income to families by unforeseen contingencies. As per the above definition, the prime objective of insurance is to mitigate the loss. Treating insurance as saving instrument is secondary.

Policyholders in present scenario like to get their claim settled in less time, with less complications and procedures and without their physical presence and for this they depend upon insurance agents. Thus, a claim settlement is being the prime interest of policyholders and ultimate obligation of insurers. Efficient claim settlements enable the life insurance company to earn trust and good image among policyholders and prospective customer.

STATEMENT OF PROBLEM

Policyholders in present scenario give more importance to time more than anything else. They like to purchase an insurance policy, get policy documents and get policy benefits at maturity or at an earlier (due to sudden demise) in no time and without any difficulty. For this policyholders depend on insurance agent. The majority of the policy related process of life insurance companies are being judged by time, degree of complexity involved (lengthy & complicated process), trust the people (Insurance Agent, Life insurance company employee) and the life insurance company itself have built. LIC of India has been exceptional in the process, especially in claim settlement. Even after two decades, a significant part of policyholders still

hesitate to believe private life insurance companies, mainly because of their perception on private life insurance company's ability to settle claims efficiently, at this juncture researcher feels that, there is an ample scope to proceed with analyzing the effectiveness of process related strategies of public and private life insurance companies.

Significance of the article

The research paper attempts to analyze the process related strategies of public and private life insurance companies. Effectiveness of process related strategies is analyzed from three different factors they are, time, hurdle free procedure and trust both company and its employee has built.

REVIEW OF LITERATURE

Dr. P. B. Ashturkar [1] in his article emphasizes the importance of time taken for claim settlement. 'This Research provides valuable insight into the time consumed by the individual life insurance company to complete the settlement process and pay claims to the policyholders. Time-bound approach is important because the policyholder expects the insurer to compensate him at the earliest and the rules also

enforce that the insurer must pay under the settlement of the claim or reject the claim within 30 days of receiving all documents necessary for the settlement of the claim’.

A report on ‘United Policyholders – Advocacy and Action Program exhibits the position of the insurer in claim settlement and the importance of being fair. ‘In dealing with their policyholders insurers have a distinct upper hand. In the execution of an insurance contract and at claim time, insurers are in control. Insurers draft the policy contracts, set the rates, manage the claims, and make decisions on payments. Insurers have far greater expertise, negotiating strength, financial resources, and staying power than insured’s[6].

N M Behera [2] analyzed the positive and negative effects of claim settlement, ‘Faster claims settlement has its cyclical effect, generating trust, spreading good word about the company, help creating a good public image, retain the customers, beget new customers either by winning them over from other insurers or creating new prospects and making itself the lead market player in the insurance industry. Conversely, a company, which fails to settle claims to the satisfaction of the claimants, will lose customers, attract less business, as it is likely to discourage such clients to continue to insure with the company’.

Barik *et al.* [3] pointed out the significance of agents in claim settlement; From 2010, the no of advisors have decreased in the industry. The no of agents declined 29% from March 2010 to March 2013. Also, it is expected that more agents will leave the industry. Under this situation, Claim management will be tougher for the companies. As people buy insurance because of the face value of agents, assistance of them is highly essential for good business.

U. Jawaharlal [4] brings out the importance of claim settlement to an organization as, ‘The management of claims is a vital function for the insurers as it has to do with their reputation on one hand, and with their profitability on the other; and thus needs to be handled with the highest degree of efficiency’. On several occasions, a claim settlement is referred to as the ‘moment of truth’.

Das and Debnath [5], the research study highlights the comparative performance between public and private insurers. The research shows that performance of life life insurance companies are also

judged by number of claim settlement formalities, higher claim settlement ratio, lower claim repudiation ratio and faster claim processing durations. It also explains about the increased role of distribution channels which is responsible for not only sales, but also proper selection of product, post sales services and claim settlement.

RESEARCH METHODOLOGY

The research is descriptive in nature. The study depends mainly on the primary data collected through a well framed and structured questionnaire to elicit the opinions of the respondents. The secondary data are collected from journals, books, magazines, dailies, websites, reports, articles, research papers, manuals, booklets, periodicals, publications and company publications. The simple random sampling is adopted to obtain the responses from the policy holders of Perambalur district. The researcher has collected 100 each from public and private sector life insurance companies. Hence the sample size of the research is 200. Here independent sample t- test and frequency analysis are used to analyze the difference of effectiveness of process related strategies between public and private life insurance companies.

Objectives of the study

- To analyze the policyholders’ perception on claim processing time of public and private life insurance companies
- To analyze the policyholders’ perception on ease of formalities of claim related process of public and private life insurance companies
- To analyze the policyholders’ perception on trust and dependence of public and private life insurance companies

RESULTS AND DISCUSSIONS

Type of Life Insurance Company and time taken for claim settlement

Independent t-test

Null Hypothesis (H₀)

There is no significant difference in time taken for claim settlement between public and private life insurance company.

Alternative Hypothesis (H₁)

There is a significant difference in time taken for claim settlement between public and private life insurance company.

Table-1: Type of Life Insurance Company and time taken for claim settlement

	Levene's Test for Equality of Variances		t-test for Equality of Means						Result
	F	Sig.	t	df	Sig. (2-tailed)	Mean Score		Mean Diff	
						Public Life Ins Comp	Private Life Ins Comp		
The claim settlement requires follow up of simple formalities	.543	.462	12.634	198	.000	4.2100	2.5900	1.62	H ₀ is rejected

Inference

An independent samples t-test was conducted to analyze the significant difference in time taken for claim settlement between public and private life insurance company. The independent variable has two levels, public life insurance company and private life insurance company, the dependent variable is time taken for claim settlement.

From table no 1, it is inferred that, time taken for claim settlement have a significant value of .000 which is below the threshold sig value of .05, so Null hypothesis is rejected. And hence it is concluded that

there is a significant difference in time taken for claim settlement between public and private life insurance company. From the difference of mean scores it is concluded clearly that, from policyholders' perspective private life insurance companies are taking more time to settle their claim. The success of insurance policies and insurance companies depend on company's ability to settle claims efficiently. LIC of India has been settling policyholders' claim exceptionally well. We could say LIC of India has set a benchmark in claim settlement that every other insurance companies strive hard to achieve.

Table-2: shows the agreement level of respondents on ease of formalities in claim settlement v/s type of company

Option	Public Life Insurance Company	Private Life Insurance Company	Public Life Insurance Company	Private Life Insurance Company
	No of Respondents	No of Respondents	Percent of Respondents	Percent of Respondents
Strongly Disagree	2	12	2	12
Disagree	1	9	1	9
Neutral	18	33	18	33
Agree	70	40	70	40
Strongly Agree	9	6	9	6
Total	100	100	100	100

From table no: 2 it is inferred that, majority 79 percent of the respondents of public life insurance company agree, 18 percent of respondents remain neutral and only 3 percent of respondents disagree that the formalities in claim settlement are easy to follow and in public life insurance company. Further it is inferred that 46 percent of the policyholders of private life insurance companies agree that the formalities in claim settlement are easy to follow, 33 percent of remains neutral and 21 percent of respondents disagree that the formalities in claim settlement are easy to follow.

It shows majority of policyholders of public insurance company perceives that, the formalities in

claim settlement are easy to follow than that of private life insurance companies. It is general perception among policyholders and prospect customers that, LIC of India's formalities in claim settlement is easy to follow, moreover insurance agent would guide policyholder in the process of claim settlement which reduces the burden of policyholders. With increase awareness on the importance of claim settlement among policyholders, nowadays, private life insurance companies started to give much importance to claim settlement. It is the time for private life insurance to make the claim processes easy to follow and attempts shall be made to reduce the policyholders intervention in claim settlement process, so as to save their time.

Table-3: shows the respondents' level of dependence on agent for policy related processes v/s insurance company employee

Options	Public Life Insurance Company	Public Life Insurance Company	Private Life Insurance Company	Private Life Insurance Company
	No of Respondents	Percent of Respondents	No of Respondents	Percent of Respondents
Mostly on the agent and to some extent on branch office	66	66	6	6
Equally on agent and branch office	4	4	18	18
Mostly on the branch and to some extent on agent	24	24	62	62
Completely on branch	6	6	14	14
Total	100	100	100	100

In public life insurance, 66 percent of respondents depend mostly on the agent and to some extent on branch office, 24 percent of respondents depend mostly on the branch and to some extent on agent, 6 percent of respondents depend on completely on branch and 4 percent of respondents depend on equally on agent and branch office. In private life insurance, 62 percent of respondents depend mostly on the branch and to some extent on agent, 18 percent of respondents depend equally on agent and branch office, 14 percent of respondents depend completely on a branch and percent of respondents depend mostly on the agent and to some extent on branch office.

From the above table it is concluded that the majority of policyholders of a public life insurance company depends mostly on the agent to avail policy related processes, it shows the good relationship between policyholders and insurance agent and majority of policyholders of private life insurance companies depend mostly on branch employees for policy related processes.

FINDINGS

- Policyholders' perspective private life insurance companies are taking more time to settle their claim than public life insurance companies.
- Policyholders of public insurance company perceive that, the formalities in claim settlement are easy to follow than that of private life insurance companies
- Policyholders of public life insurance company is depending more on insurance agent for policy related processes.
- Policyholders of private life insurance company is depending more on insurance insurance company employee for policy related processes.

CONCLUSIONS

Insurance is the best instrument to manage risk and nowadays it also perceived as one of the best saving tools. Both in the case of risk mitigation and savings, claim settlement is the yardstick to measure the efficiency of process related strategies of life insurance

companies. Here the researcher after analyzing the collected data concludes that, policyholders' perceive public life insurance company's process related strategies are more effective than that of private life insurance companies.

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