

Analysis of Term Insurance Plans in Ratnagiri District

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Abstract:-

The Insurance Sector is basically divided into two categories – Life Insurance and Non-life Insurance. The Non-life Insurance sector is also termed as General Insurance. Life insurance companies offer coverage to the life of the individuals, whereas the non-life insurance companies offer coverage with our day-to-day living like travel, health, our car and bikes, and home insurance. Not only this, but the non-life insurance companies provide coverage for our industrial equipment's as well. Crop insurance for our farmers, gadget insurance for mobiles, pet insurance etc. are some more insurance products being made available by the general insurance companies in India. Both the Life Insurance and the Non-life Insurance is governed by the IRDAI (Insurance Regulatory and Development Authority of India).

This research paper is prepared to study the term insurance policies available in Ratnagiri District through the branches of various insurance companies and analyse the benefits provided by these term insurance policies. Term insurance is pure insurance in which the claim is payable only in case of death or mishap. Policies are compared on the basis of premium amount, claim settlement ratio and optional benefits available under the policy.

Keywords: term insurance, riders, claim, premium

Introduction:

General insurance is normally considered as pure insurance as it covers the financial losses and promises to compensate the policyholder only in case of loss. There is no amount payable as maturity benefit. In short, general insurance is not an investment or saving product unlike life insurance products. Life insurance on the other side provides life cover as well as savings/investment facility in the same policy. Even in 21st century, customers are reluctant to buy pure risk life insurance products. Term insurance products are offered by every life insurance company. But they are not marketed aggressively like investment products. In India the maturity benefit is a temptation for policyholders after waiting for a long time for the locked money.

Objectives:

1. To analyse the term insurance products available for the customers in Ratnagiri District
2. To Compare the term insurance products available offline to the customer across the ratnagiri district.

Limitations:

This study is limited to the study of Term insurance products available offline (through branch office sales and service) in Ratnagiri district only.

Research Methodology:

This paper is based on secondary data collected from websites of insurance companies. The data is used to compare the benefits payable under their term insurance products. Insurance companies having their branch offices in Ratnagiri district are considered for this comparison.

Data Collection:

There are 28 life insurance companies selling 734 types of life insurance policies across India in 2019. However in Ratnagiri district there are 6 insurance companies operating through their branches. Some private insurance companies operate through their agents or banc assurance i.e. insurance policies sold through banks.

Post office makes available postal life insurance even in rural areas. But this research paper does not consider postal life insurance as there is no term insurance policy available in PLI. Similarly the companies offering their services through banks and agent are not considered due to non availability of service offices in Ratnagiri District.

Customers believe in online transactions relating to payment and transfer. But when it comes

to purchasing an insurance policy, people are least interested due to long term contract and need of physical existence of the insurer in the services related to the claim settlement.

Different Types of Life Insurance Policies in India

1. Term Plan – Pure risk cover
2. Unit linked insurance plan (ULIP) – Insurance + Investment opportunity
3. Endowment Plan – Insurance + Savings
4. Money Back – Periodic returns with insurance cover
5. Whole Life Insurance – Life coverage to the life assured for whole life
6. Child’s Plan – For fulfilling your child’s life goals like education, marriage, etc.
7. Retirement Plan –Retirement Planning and Provision for pension

Term Insurance:

Term insurance is pure risk life insurance policy where the policyholder has to pay minimum premium and gets maximum life insurance cover as compared to other life insurance products. Claim is payable only in case of death of the policyholder. If the policyholder survives till the maturity of the policy term, there is no amount payable on maturity. This plan is normally suggested by financial planners to cover the financial losses of the family members in case of death of the only earning member from the family.

Medical checkup is compulsory as the policy is a high risk plan where company needs to confirm the health and fitness of the policyholder.

Riders and Add on covers

Riders are additional covers available with a life insurance policy. These riders are optional for the customer but beneficial to cover unforeseen situations other than death. Extra premium is payable for opting riders under the policy.

Riders were not in existence before the entry of private life insurance companies. Currently the customer can choose from wide range of riders made available by its insurer.

Riders and Add on covers under life insurance policy

- Accidental Death and Dismemberment Rider
- Term Rider
- Accidental Death Rider
- Critical Illness Rider (CI)
- Critical Illness Plus Rider (CI Plus)

- Total and Permanent Disability Rider
- Surgical Care Rider
- Hospital Care Rider
- Waiver of Premium Rider
- Group Critical Illness Premier Rider
- Group Accelerated Terminal Illness Rider

Data Analysis:

Data is collected from websites of the following insurance companies regarding

- Annual Premium amount
- Benefits payable under the policy
- Claim settlement ratio of the company
- Add on covers available with this policy

List of insurance companies in Ratnagiri District

- Life Insurance Corporation of India
- HDFC Life
- ICICI Prudential Life Insurance Company
- SBI Life Insurance Company
- Bajaj Allianz Life Insurance Company
- Aditya Birla Sun Life Insurance Company

Term insurance policy premium is based on the policy term and the age of policyholder at the time of purchasing the policy. Premium goes on increasing with the age at entry. For example a person having age 35 years has to pay higher premium for getting insurance policy of same sum assured and policy term as compared to a person with 30 years of age.

Data regarding term insurance is collected taking into consideration a case of an individual with following details

Age at entry 30 years

Policy term 30 years (maturity age 60 years)

Premium payment term 30 years (till maturity)

Income range Rs.500000 to Rs.700000

Sum Assured Rs.1 crore

Assuming that the person is medically fit the premium payable annually is as follows.

Insurance Company & Name of the Policy	Annual Premium	Claim Settlement Ratio
Life Insurance Corporation of India e-Term Plan	16060	98%
HDFC Life 3D Plus Life Option	9398	97.6%
ICICI Prudential Life Insurance Company iProtect Smart	9406	97.9%
SBI Life Insurance Company eShield	10738	96.8%

Bajaj Allianz Life Insurance Company eTouch Online term	10034	92%
Aditya Birla Capital Insurance Company DigiShield Plan	9222	96.4%

Aditya Birla Capital Insurance Company DigiShield Plan	Yes	Yes	Yes	Yes	No
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Details of various Riders Available under selected Term Insurance policies

Insurance Company & Name of the Policy	Accidental Death & Disability	Critical Illness	Premium Waiver	Monthly income after death	Limited year premium payment
Life Insurance Corporation of India e-Term Plan	No	No	No	No	No
HDFC Life 3D Plus Life Option	Yes	Yes	Yes	Yes	Yes
ICICI Prudential Life Insurance Company iProtect Smart	Yes	Yes	Yes	Yes	No
SBI Life Insurance Company eShield	Yes	Yes	Yes	Yes	No
Bajaj Allianz Life Insurance Company eTouch Online term	Yes	Yes	Yes	Yes	No

Findings:

1. Premium amount is highest in case of LIC of India
2. Claim settlement ratio of LIC is highest.
3. Riders are not at all available under LIC term plan.
4. Maximum Riders are available under HDFC term plan.

Conclusions

1. LIC being largest and oldest insurance company charges highest term insurance premium.
2. Private insurance companies charge competitive term insurance premium as there is not much difference in premium amount.
3. Claim settlement ratio of private insurance companies is less than LIC in spite of limited market coverage. However LIC has highest claim settlement ratio even after handling large number of policies

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