INSURANCE SECTOR

A Study on Consumer Awareness and Preference Towards Life Insurance in India

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Abstract

Life Insurance has become an important tool for people to ensure financial security, save and invest for the future. This market research explores awareness, and factors affecting purchasing decisions of life insurance in India.

Primary data was collected from 100 people from various age groups and occupations using a questionnaire. The data collected was: awareness of Life insurance, current ownership of Life Insurance policies, preferred type of insurance company/product, willingness to purchase online, main reasons for purchasing Life Insurance, key factors considered when choosing a product, and reasons for not purchasing.

Findings suggest that many people are aware of life insurance. However, many people do not own a life insurance policy. Many people purchase life insurance to protect their families, invest money (increase wealth) and provide a source of income in old age. Factors influencing purchasing decisions include: cost of premium, ease of claims, good reputation, return value/benefits and extent of cover.

Findings in this research suggest that people do not purchase life insurance due to lack of trust, complex products, price, a lack of awareness and a lack of knowledge. To increase penetration rates in this market, insurance companies could offer simplified products, be transparent, improve digital products, educate customers, and create affordable products for various income groups.

1 Introduction

1.1 Background of life insurance in India

Life insurance is an important segment in the financial services industry. A life insurance policy is a contract between the insurance company and the insured person, whereby the insurance company pays out monetary benefits to the insured or beneficiary. Life insurance plans can be taken to mitigate risk of death. Some life insurance products also offer savings, investment, retirement planning and building wealth benefits.

In India, life insurance is now an integral part of personal financial planning. People take life insurance for various reasons, such as securing their families' finances, funding education for children, retirement planning, building wealth and for long term saving. Within this sector there are both public and private life insurance companies, and products include term plans, endowment plans, return of premium plans, ULIPs and annuity/pension schemes.

The life insurance industry is regulated by the Insurance Regulatory and Development Authority of India (IRDAI) to regulate and develop this industry, whilst protecting the interests of policy holders.

1.2 Importance of life insurance

Life insurance allows dependents to be financially protected in the event that a breadwinner passes away prematurely. It can provide them with money to cover household costs, educational costs, outstanding debts and any other financial commitments.

In addition to providing protection, certain types of life insurance allow individuals to save and invest. Retirement-focused products mean that individuals can create a pool of money to support themselves in later life. Life insurance can therefore be an integral part of an individual's financial planning.

With modern lifestyles, more financial commitments, expensive healthcare and education costs and long term financial security in mind, life insurance is becoming an increasingly important consideration. Due to increased availability of online platforms, it is more accessible for people.

1.3 Overview of the Indian life insurance market

The life insurance industry in India is extensive. It consists of both public and private sector companies, offering a variety of products.

Digitalisation within the life insurance industry in India has expanded. Customers are able to research products, calculate costs, compare products, buy insurance, and receive customer support via digital platforms. However, traditional distribution channels still heavily influence consumers purchasing insurance. These include insurance agents, banks, and word of mouth.

Recent regulatory changes have occurred in relation to consumer protection, clarity of information, innovation of products, digitalisation of products and quality of customer service within the industry. As a result, it is important to understand consumer perception and behaviour in relation to life insurance.

1.4 Need for the study

Even though people may be aware of life insurance, they may still not take out a policy. This can be due to high costs, dis-trust, complex policies and lack of knowledge.

This research will therefore find out:

- What level of awareness there is.
- How many people actually have life insurance.
- Knowledge of different types of insurance.
- Preference of Public/private companies.
- Preference of online insurance.
- What factors influence taking out insurance.
- Why people may not take out life insurance.

1.5 Research problem

Why do informed consumers not take out life insurance? What influences people's decision to take out life insurance?

To identify why informed consumers do not have life insurance in place, and find the influencing factors in taking out life insurance.

2 Objectives of the study

1. To understand level of awareness
2. To understand what % of respondents have a life insurance policy.
3. To understand what types of life insurance people are aware of.
4. To understand consumer preference between public sector and private sector insurance providers.
5. To understand willingness of consumers to buy life insurance online.

3 Research methodology

3.1 Research design

The study uses a descriptive research design. Descriptive research is appropriate because the study aims to describe consumer awareness, preferences and opinions regarding life insurance.

3.2 Type of research

The research is based on both:

- Primary research – questionnaire responses from respondents.
- Secondary research – information obtained from reliable insurance-sector sources and company information.

3.3 Data collection method

Primary data was collected through a structured questionnaire consisting of questions related to demographic characteristics, insurance awareness, policy ownership and consumer preferences.

3.4 Primary data

Primary data was collected from 100 respondents.

3.5 Secondary data

Secondary information was referred to for understanding the Indian insurance sector, insurance products and the regulatory environment. Sources include IRDAI publications, insurance-company information and other relevant financial-sector sources.

3.6 Sample size

The sample size of 100 falls within the required range of 100–150 responses specified for the project.

3.7 Sampling method

The study uses convenience sampling, where respondents were selected based on their availability and willingness to participate.

3.8 Data analysis method

The collected responses were analysed using:

- Frequency analysis

- Percentage analysis
- Pie charts
- Interpretation of results

4 Data analysis and interpretation

- **Awareness:** Most respondents are aware of life insurance and its importance in financial security.
- **Purpose:** Consumers mainly purchase life insurance for family protection, savings and tax benefits.
- **Policy Preference:** Consumers prefer policies offering affordable premiums, good coverage and flexible benefits.
- **Purchase Factors:** Trust, brand reputation, premium cost and claim settlement influence purchasing decisions.
- **Information Sources:** Agents, online platforms, family and friends play a key role in spreading awareness.
- **Policy Knowledge:** Some respondents lack a clear understanding of policy terms, exclusions and claim procedures.
- **Digital Preference:** Consumers increasingly use online platforms to compare and explore insurance policies.

5 Major findings of the study

Based on the analysis of 100 respondents, the following findings were identified:

- Awareness among people is fairly high with 81% of people being aware.
- However, only 49% actually hold a life insurance policy.
- Of the product types, term life insurance was best known, with 32% of people selecting this option.
- The most important consideration when choosing life insurance is claim payout, with 24% selecting this.
- The main reason for taking out life insurance is to protect family finances in 43% of cases.
- When selecting a company to take out insurance with 40% selected public sector insurance companies. This means that public sector companies were most preferred.
- Purchasing insurance via online sources has a great deal of potential. 38% of people prefer to buy insurance from online sources. 30% considered buying life insurance online.
- Overall, the biggest issues preventing people from taking out life insurance are lack of trust in providers and complexity, both having 19% of responses.
- Financial issues also prevent people from taking out life insurance, with 18% of responses.
- Overall, people want life insurance products that are simple, affordable, trustworthy and easy to understand.

6 Suggestions and recommendations

Based on the research findings, the following suggestions are made:

- **Increase Financial Awareness:** Insurance companies should conduct awareness campaigns through educational institutions, workplaces and digital platforms.
- **Simplify Insurance Products:** Policy conditions, exclusions, benefits and premium details should be explained in simple language.
- **Improve Transparency:** Insurers should provide clear information about claim procedures, policy terms and charges.
- **Offer Affordable Products:** Since premium affordability is the most important factor, insurers should provide flexible premium options suitable for different income groups.
- **Strengthen Digital Platforms:** Online insurance platforms should provide simple interfaces, premium calculators, product comparisons and easy customer support.
- **Build Consumer Trust:** Companies should focus on transparent communication and efficient customer service to improve consumer confidence.
- **Educate Young Consumers:** Insurance awareness programmes should be introduced among young adults so that financial protection becomes part of early financial planning.
- **Focus On Protection:** Since family financial protection is the leading purpose, insurers should clearly communicate the protection benefits of life insurance.

7 Limitations of the study

- The study is based on a sample of only 100 respondents.
- Convenience sampling was used, which may limit the generalisation of results.
- The respondents may not represent the entire Indian population.
- The research was conducted within a limited time period.
- Responses are based on individual perceptions and opinions.
- Some respondents may have limited knowledge of insurance products.
- Consumer preferences may change due to economic, regulatory and market conditions.

8 Conclusion

Findings: 81% of people said that they were aware of life insurance but only 49% actually had a policy.

Findings: The main reason consumers take out life insurance is for financial protection for their families. Factors affecting consumers purchasing decisions include price, ease of claims and extent of cover.

Findings: As 40% of respondents prefer to take their life insurance out with public sector companies, brand reputation is still a factor that affects consumer decisions. However, 38% of people are willing to take out insurance policies through online services, suggesting potential for growth in online services.

Barriers: People do not have confidence in insurance companies, policies are difficult to understand and people cannot afford it. These issues can be addressed through simplifying products, increasing

transparency, providing cheaper policies, improving digital services and providing money awareness campaigns.

Conclusion: Simply increasing awareness of insurance may not be enough to improve penetration. To change potential customers into real customers, the industry must ensure products gain trust, are affordable, simple, transparent and educate consumers.

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