

# **STUDY OF INSURANCE AWARENESS**

## **IN RURAL AREA OF THE NAGPUR DISTRICT**

### **Introduction**

Insurance may be described as a social device to reduce or eliminate risk of loss to life and property.

Insurance can be defined as a 'Legal contract between two parties where by one party called insurer undertakes to pay a fixed amount of money on the happening of a particular event, which may be certain or uncertain' The other party called insured pays in exchange a fixed sum known as premium. Insurance is desired to safeguard oneself and one's family against possible losses on account of risks and perils. It provides financial compensation for the losses suffered due to the happening of any unforeseen events

The business of life insurance in India in its existing form started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta. But today the journey of insurance has reached to peak level. There are so many companies which has been undertaken in the present study. i.e

Public Sectors: Life Insurance Corporation of India LIC

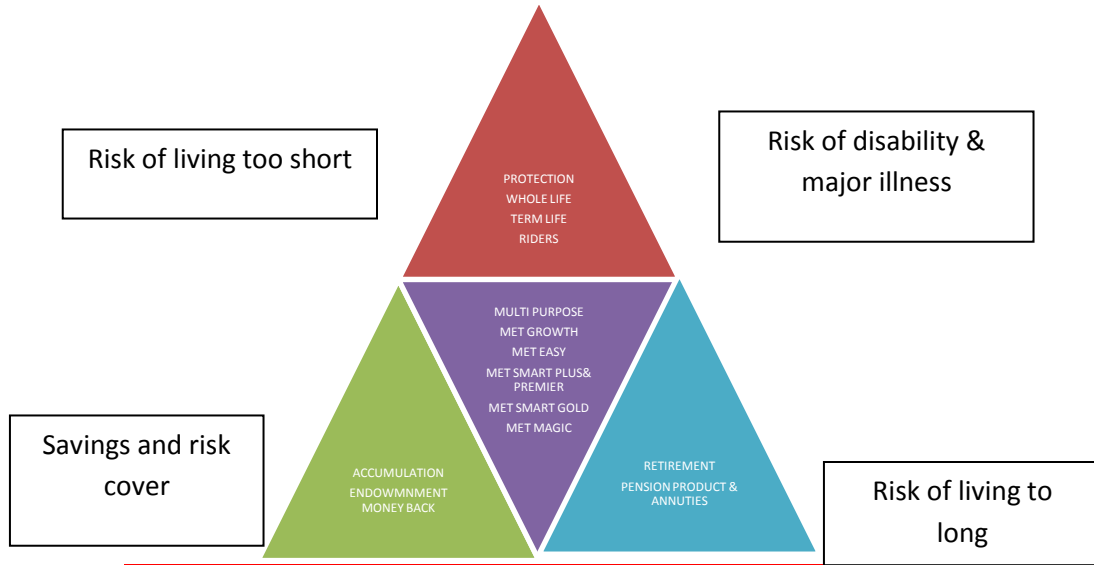
Private sectors: Allianz Bajaj Life Insurance Company Limited, Birla Sun Life Insurance Company Limited, HDF Standard Life Insurance Company Limited, ICICI Prudential Life Insurance Company Limited, ING Vysya Life Insurance Company Limited, Max Newyork Life Insurance Company Limited, Met Life Life Insurance Company Limited, OM Kotak Mahindra Life Insurance Company Limited, SBI Life Insurance Company Limited, Tata AIG Life Insurance Company Limited, AMO Sanmar Assurance Company Limited, Dabur CGU Life Insurance Company Limited. Etc.

### **VARIOUS TYPES OF INSURANCE POLICIES**

- **Endowment policies:**
- **Money back policies**
- **Group insurance:**
- **Term life insurance policies:**
- **Whole life insurance policies:**
- **Joint life insurance policies:**
- **Pension plan:**
- **Unit linked insurance plan:**

## THREE CORNERSTONES OF FINANCIAL SECURITY

A comprehensive portfolio of life insurance products to meet each individual needs.



### 1.3 Key Benefits of Insurance

Life Stage	Primary Need	Life Insurance Product
Young & Single	Asset creation	Wealth creation plans
Young & Just married	Asset creation & protection	Wealth creation and mortgage protection plans
Married with kids	Children's education, Asset creation and protection	Education insurance, mortgage protection & wealth creation plans
Middle aged with grown up kids	Planning for retirement & asset protection	Retirement solutions & mortgage protection
Across all life-stages	Health plans	Health Insurance

## **2.2 Objectives**

Main objective of the research is to have an analysis of life insurance industry in Rural Nagpur.

To accomplish this objective it has been divided into five.

- To study awareness of people about insurance.
- To determine reasons behind opting for an insurance
- To know the most preferred policy.
- To determine customers perception towards private insurance companies and their expectation form private insurance companies.
- To determine the feedback on services provided by an insurance agent.
- To study the types of benefits provided by insurance services.

## **2.3 Scope of the Study**

A big boom has been witnessed in Insurance Industry in recent times. A large number of new players have entered the market and are trying to gain market share in this rapidly improving market. The study deals with reliance in focus and the various segments that it caters to. The study then goes on to evaluate and analyze the findings so as to present a clear picture of trends in the Insurance sector. This study was done only for rural area of various tahasil's in Nagpur district.

## **SIGNIFICANCE TO THE INDUSTRY:**

This is a limited study which takes into consideration the responses of 200 people. This data can be explored to take in the trends across the industry. The significance for the industry lies in studying these trends that emerge from the study. It is a rapidly changing and evolving sector. People are only beginning to wake up to its vast possibilities. A study like this can attempt to guide the future of the industry based on current trends.

## **SAMPLING METHODOLOGY**

A well-structured questionnaire was prepared and personal interviews were conducted to collect the customer's perception and buying behavior, through this questionnaire.

The sample size was restricted to only 200, which comprised of mainly peoples from different regions of Nagpur due to time constraints. Researcher has surveyed 15 respondents from every 12 Talukas and 20 from rural Nagpur, thus there were 200 respondents.

### **limitations of the research**

1. The research is confined to a 13 tahasil's of Nagpur and does not necessarily shows a pattern applicable to all of Country.
2. Some respondents were reluctant to divulge personal information which can affect the validity of all responses.
3. In a rapidly changing industry, analysis on one day or in one segment can change very quickly. The environmental changes are vital to be considered in order to assimilate the findings.

### **Findings**

1. As the people think that insurance is a tool to protect their family & a tax saving device. They are aware of the fact & realizing its, importance. There is a large potential for insurance in India.
2. The entrance of private players will increase the competition and it would be a tough task to secure a good position in market.
3. Since there are several companies policies it should be easy for them to penetrate into the market and secure a good position if they pay greater attention to the service part provided to their customer and thereby forming a long and trusted relationship.
4. As seen from the survey that at present 60% of the customer are having insurance policy out of which 87.5% of the customer are planning for new investments. So it can be a good potential for the company and they should make an attempt to trap these customers.
5. As 43% of the customers are even ready to go for insurance if a service provider away from their city is providing it. But in turn they should provide good products and services. The company should try to convince these customers and get them in its favor.

### **Growth Potential**

At present life insurance penetration in India is quite low – 3.57% of GDP.

### **Phase Of Transition**

- Life Insurance industry is under the phase of infancy after 50 years of monopoly.
- Competition from within and other sectors of financial market.
- Needs environmental support till it reaches a comfort zone.

## **CONCLUSIONS**

The present research in the field of Life Insurance threw up some interesting trends which can be seen. A general impression from data collection is the immense awareness and knowledge among people about various companies and their insurance products. People are beginning to look beyond LIC for their insurance needs and are willing to trust private players with their hard earned money.

People in general have been impressed by the marketing and advertising campaigns of insurance companies. A high penetration of print, radio and Television Ad campaigns over the years is beginning to have its impact now.

Another heartening trend was in terms of people viewing insurance as a tax saving and investment instrument as much as a protective one. A very high number of respondents have opted for insurance for such purposes and it shows how insurance companies have been successful to attract public money in recent times.

The general satisfaction levels among public with regards to policy and agents still requires improvement. But therein the opportunity lies for a relative player in India insurance co.ltd .lic has never been known for prompt service or customer oriented methods & other players can build on these factors.

The future of the insurance is likely to increase their growth by 200% & attain a size of 2000billion in 2009-2010. A private insurance business will achieve a growth rate of 140 % as a result of aggressive marketing techniques being adopted by them against 35-40% growth rate of insurance companies. In rural markets also private players are playing an important role.



## INSURANCE INDUSTRY IN INDIA

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May, 2011

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We live in the knowledge economy, where ideas generated by talented people and the inventions they make are a kind of the new currency for the country in which they live. Intellectual Property Rights that area of law which concerns legal rights associated with creative effect or commercial reputation and goodwill. The subject matter of intellectual property is very wide and includes literary and artistic works, films, computer programs, inventions, design and marks used by traders for their goods and services. The law deters others from copying or taking unfair advantage of the work or reputation of another and provides remedies if this happen. Intellectual property is divided into two categories:

Industrial property which includes patents for inventions, trademarks, industrial design and geographical indications and copyrights and related rights which cover literary and artistic expression, plus the rights of performing artists in their performance, producers of phonograms in their recordings, and broadcasters in their radio and television broadcasts which are also referred to as neighboring rights. There are several different forms of rights or areas of law giving rise to rights that together make up intellectual property.

Intellectual property rights are legal rights, which result from intellectual activity in the industrial, scientific, literary and artistic fields. These rights give statutory expression to the moral and economic rights of creators in their creations. Intellectual property rights safeguards creators and other producer of intellectual goods and services by granting them certain limited rights to control the use made of those productions. These rights also promote creativity and the dissemination and application of its results and encourage fair-trading which contributes to economic and social developments.

The need for a system to protect IP internationally arose when foreign exhibitors refused to attend an international exhibitions of inventions in Vienna in 1873 because they were afraid that their ideas would be stolen and exploited commercially in other countries. This led to the creation of the Paris conventions for the protection of industrial property of

1883. The Paris convention was the first major international treaty designed to help the people of one country obtain protection in other countries for their intellectual creations, in the form of industrial property rights. In 1886, copyright entered the international arena with the Berne Convention and Berne Convention set up International Business to carry out administrative tasks, such as organizing meeting of the member states.

In 1983, these two small bureaus united to form an international organization called the United International Bureaus for the protection of Intellectual Property best known by its French acronym, BIRPI. Based in Berne, Switzerland, with a staff of seven, BIRPI was the predecessor of what is today known as the World Intellectual Property Organization or WIPO. WIPO is a specialized agency of the UN, with a mandate to administer IP matters recognized by the UN member States. There are about 21 international treaties in the field of intellectual property, which are administered by WIPO.

Together, these two initial international efforts can be termed as the Magna Charta of IPRs. Since then IPR regime has made a long journey and with the establishment of WIPO and TRIPS and IPR jurisprudence has been firmly established at international as well as national levels. The treaties fall into three groups namely treaties, which established international protection; treaties, which facilities international protection and treaties, which established classification system.

Ideas and knowledge constitute an important part of trade. Creators have a right to prevent others from using their inventions, designs or other creations. The extent of such protection and enforcement varied widely around the world and these differences were a source of tension in international economic relations. There was thus a need for harmonization and predictability for disputes to be settled more systematically. The World Trade Organization (WTO) Agreements on Trade -Related Aspects of Intellectual Property Rights (TRIPS Agreement), which came into force in 1995, brought with it a new era in the multilateral protection and enforcement of IP rights. Provisions in

The insurance is a plan in which the insured transfers his risk on the insurer. Insurance is a legal contract which is based upon certain principles of insurance which includes utmost good faith, insurable interest, contribution, indemnity, causas proxima, subrogation, etc. The scope of insurance is much wider and extensive.

#### FUNCTIONS OF INSURANCE:

##### PRIMARY FUNCTIONS:

1. Provide protection: - Insurance cannot check the happening of the risk, but can provide for the losses of risk.
2. Collective bearing of risk: - Insurance is a device to share the financial losses of few among many others.
3. Assessment of risk: - Insurance determines the probable volume of risk by evaluating various factors that give rise to risk.
4. Provide certainty: - Insurance is a device, which helps to change from uncertainty to certainty.

##### SECONDARY FUNCTIONS:

1. Prevention of losses: - Insurance cautions businessman and individuals to adopt suitable device to prevent unfortunate consequences of risk by observing safety instructions.
2. Small capital to cover large risks: - Insurance relieves the businessman from security investment, by paying small amount of insurance against larger risks and uncertainty.
3. Contributes towards development of larger industries.

##### OTHER FUNCTION:

##### Means of savings and investment:

Insurance companies are business houses. The product they sell is financial protection. To succeed and survive, they must cover their costs, which include payments to cover the losses of policyholders, as well as sales and administrative expenses, taxes and dividends.

Insurance companies have two sources of income for covering these costs: **premiums** and **investment income**. The premiums are collected on a regular basis and invested in Government Bonds, Gilt, stocks, mutual funds, real estates and other conservative avenues. However, investment income depends on market conditions, interest rates, economy etc. and varies from year to year. Because of the uncertainty associated with the investment income, insurance companies must generate enough income from premiums to cover the bulk of their expenses.

##### CHALLENGES FACING INSURANCE INDUSTRY (PORTERS MODEL)

- **Threat of New Entrants:** The insurance industry has been budding with new entrants every other day. Therefore the companies should carve out niche areas such that the threat of new entrants might not be a hindrance. There is also a chance that the big players might squeeze the small new entrants.
- **Power of Suppliers:** Those who are supplying the capital are not that big a threat. For instance, if someone as a very talented insurance underwriter is presently working for a small insurance company, there exists a chance that any big player willing to enter the insurance industry might entice that person off.
- **Power of Buyers:** No individual is a big threat to the insurance industry and big corporate houses have a lot more negotiating capability with the insurance companies. Big corporate clients like airlines and pharmaceutical companies pay millions of dollars every year in premiums.

- **Availability of Substitutes:** There exist a lot of substitutes in the insurance industry. Majority, the large insurance companies provide similar kinds of services – be it auto, home, commercial, health or life insurance.
- insurance needs and are willing to trust private players with their hard earned money.

#### **Findings**

- **Growth Potential:** At present life insurance penetration in India is quite low – 3.57% of GDP.
- People in general have been impressed by the marketing and advertising campaigns of insurance companies. A high penetration of print, radio and Television Ad campaigns over the years is beginning to have its impact now.

#### **Phase Of Transition**

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- The general satisfaction levels among public with regards to policy and agents still requires improvement. But therein the opportunity lies for a relative player in India insurance co.ltd .lic has never been known for prompt service or customer oriented methods & other players can build on these factors.

#### **CONCLUSIONS**

- The exhaustive research in the field of Life Insurance threw up some interesting trends which can be seen in the above analysis. A general impression that I gathered during Data collection was the immense awareness and knowledge among people about various companies and their insurance products. People are beginning to look beyond LIC for their
- The future of the insurance is likely to increase their growth by 200% & attain a size of 2000billion in 2009-2010. A private insurance business will achieve a growth rate of 140 % as a result of aggressive marketing techniques being adopted by them against 35-40% growth rate of insurance companies. In rural markets also private players are playing an important role.

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