



A STUDY ON ADEQUACY OF INSURANCE WITH REFERENCE TO GOVERNMENT AND NON GOVERNMENT EMPLOYEES IN WESTERN MAHARASHTRA.

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Abstract

This article is an attempt to find out the amount of insurance coverage carried by salaried Households in western Maharashtra. The individual's insurance holding is compared to a standard calculator like a human life value and a life insurance needs calculator. In India very little work is being done with reference to adequacy calculation. The perception and awareness of salaried people in western Maharashtra seems positive towards various insurance schemes. In urban areas the awareness is more as compared to rural areas. It's a preliminary research presented here and work is going on the same. Several reasons are suggested as the cause of underinsurance. Cost is the common reason given for not owing adequate insurance. Unawareness about insurance, agents not giving proper advices, unwillingness to buy insurance, education are other few reasons for inadequacy of insurance. In Few cases the actual insurance holding is compared with an ideal insurance an individual needs to possess and it is found that they are not adequately insured.

INTRODUCTION

In 2003, the Indian insurance market ranked, 19th globally and was the fifth largest in Asia. Although it accounts for only 2.5% of premiums in Asia, it has the potential to become one of the biggest insurance markets in the region. A combination of factors underpins further strong growth in the market, including sound economic fundamentals, rising household wealth and a further improvement in the regulatory framework.

The Indian Insurance Industry has a done a lone progress since 2000. The passing of the Insurance Regulatory and Development Authority Act in 1999, India stopped public sector exclusivity in the insurance industry in favor of market-driven competition. This shift has brought about major changes to the industry. Due to liberalization many insurance companies came to India.

By mid-2004, the number of insurers in India had been increased to a total of 28, up from five before liberalization. Numerous insurance products had been launched for different segments of the market, while traditional agents were supplemented by other channels including the Internet and bank branches. There are good reasons to expect that the growth momentum can be sustained. In particular, there is huge untapped potential in various segments of the market. While the nation is heavily exposed to natural catastrophes, insurance to mitigate the negative financial consequences of these adverse events is underdeveloped. The nation as a whole is heavily exposed to natural catastrophes; insurance can used to combat with the risk of negative financial consequences developed due to such events. The same is true for both pension and health insurance, where insurers can play a critical role in bridging demand and supply gaps. Major changes in both national economic policies and insurance regulations will highlight the prospects of these segments going forward.

The main task of risk management for individuals, like companies, is to preserve and protect assets. For the individual, the greatest asset frequently is her or his earning capacity. The death of an individual results in the loss of this asset. Life insurance is a risk management tool available to protect against this loss. The present research examines whether government and non government employees have adequate amount of life insurance. Do they know about life insurance, what are their perceptions about life insurance and what are the determinants and their impacts on life insurance demand?

OBJECTIVES OF THE STUDY

Objectives of this research are to find out whether the Government and Non Government Employees in Western Maharashtra have adequate life insurance or not and then to do a comparative analysis between the two.

1. To analyze the gap that exists between the amount of recommended insurance and the individual's actual insurance holding.

Beside the general purpose of the research, the following specific objectives have been mentioned in the research.

2. To study and analyze the awareness levels and perception of the target population regarding the utility of insurance.
3. To comprehend the relationship between the development of economy and the development of insurance markets.
4. To analyze the factors affecting the demand pattern of Insurance products.



HYPOTHESIS OF RESEARCH

- H1: Respondents are not aware about insurance.
H2: The Respondents' Perception about Insurance is not positive.
H3: There is no relationship between development of economy and development of insurance markets.
H4: The individual's are not adequately insured.

RESEARCH QUESTIONS

- Q.1 What is the awareness level and perception of Target population about utility of Insurance?
Q.2 What is the relationship between development of economy and development of Insurance markets?
Q.3 What do you mean by adequacy of life insurance? How it is measured? What is the awareness level of target population about adequacy of life insurance?
Q.4 Whether people in Western Maharashtra are adequately insured or not?

RESEARCH METHODOLOGY

Both primary and secondary data has been used for the study.

Secondary Data: Secondary data is obtained from various research articles, books, previous research works conducted, Journals, websites, various working committees reports, five year plan documents.

Primary Data: Primary data will be collected by means of a Questionnaire and where ever possible by means of personal Interview from employees working in government and non government employees in western Maharashtra.

ANALYSIS 1

The sample size for current research study is 141.

1. Respondent's Demographic Details

The study has been conducted at Western Maharashtra covering both government and non government employees. This chapter aims to analyze the responses received from customers. The principal objective behind the analysis is to understand the profile of customers, whether they invest money or not, their preferences towards various investment options, their perception about Insurance and their preferences while buying various types of insurance policy.

Demographic Variables

Demographic variables such as age, sex, education, income etc. are useful to understand the customers' preference. In the following tables (1 to 15), the demographic features of the customers surveyed are presented.

Table 1

Gender Of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	86	61.0	61.0	61.0
	Female	55	39.0	39.0	100.0
	Total	141	100.0	100.0	

As regards the sex of the respondents, it is observed that of the respondents almost 60% are male and 40% are female.

Table 2, Age

Table 2, Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-25	23	16.3	16.3	16.3
	26-34	38	27.0	27.0	43.3
	35-44	31	22.0	22.0	65.2
	45-54	49	34.8	34.8	100.0
	Total	141	100.0	100.0	



The above table indicates that out of 74 respondents surveyed in Western Maharashtra, 65% of the respondents are in the age group of less than 44 years.

Table 3

Occupation Of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government Employee	62	44.0	44.0	44.0
	Non Government Employee	79	56.0	56.0	100.0
	Total	141	100.0	100.0	

As regards the occupation of respondents, 44 % respondents are government employees and rests are non government employees.

Table 4

Educational Qualification of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non Matric	4	2.8	2.8	2.8
	Matric	2	1.4	1.4	4.3
	HSC	10	7.1	7.1	11.3
	Graduate	57	40.4	40.4	51.8
	Post Graduate	68	48.2	48.2	100.0
	Total	141	100.0	100.0	

Over 82 percent of the total respondents were graduates and post graduates. Only 11.3% people in survey have qualification up to Higher Secondary (HSC).

Table 5

Monthly Income of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up To RS 10000	18	12.8	12.8	12.8
	10001-20000	23	16.3	16.3	29.1
	20001-30000	13	9.2	9.2	38.3
	30001-40000	23	16.3	16.3	54.6
	40001-50000	26	18.4	18.4	73.0
	Above 50000	38	27.0	27.0	100.0
	Total	141	100.0	100.0	

As regards monthly income, 73% respondents have income below Rs.50000 and Rest has above Rs.50000. Monthly income is a key determinant in the purchase of life insurance products. With the rising income and increase in standard of living, individuals buy life insurance products to protect the current standard of living and normally it is observed that the increase in income leads to increase in the purchase of life insurance products. According to MGI income – Consumer demand model, India’s economic growth will increase the economic prosperity of the population. The deprived class, i.e. Individuals with less than Rs.90, 000 income per annum, which stood at 49% of the total population in the year 2005, is expected to reduce to 18% of the population in the year 2025. Similarly the higher income group i.e. individuals with income greater than Rs.500,000 per annum, which is at a meager 2% of the population in the year 2005 is expected to increase to 15% in the year 2025. Growing personal income also portends huge potential for life insurance market in India.



Table 6

Place of Residence of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Village	12	8.5	8.5	8.5
	City	65	46.1	46.1	54.6
	Mtero	64	45.4	45.4	100.0
	Total	141	100.0	100.0	

The data collection process is still on. Till now from the data collected, 8.5% people live in villages, 54.6% people live in City and Metros respectively.

Table 7

Marital Status of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bachelor	34	24.1	24.1	24.1
	Married with Kids	83	58.9	58.9	83.0
	Married But No Kids	16	11.3	11.3	94.3
	Widow/Widower	2	1.4	1.4	95.7
	Divorcee	6	4.3	4.3	100.0
	Total	141	100.0	100.0	

Out of 74 respondents, 24% are bachelors, 58% are married with kids, 12% are married but they don't have kids and rests are widow/ widower or divorcee. The marital status plays an important role while calculating the recommended amount of insurance.

Table 8

Size of Family of Respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Joint	45	31.9	31.9	31.9
	Nuclear	96	68.1	68.1	100.0
	Total	141	100.0	100.0	

Table 9

No Of Members In Respondent's Family					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 4	59	41.8	42.4	42.4
	4-8	80	56.7	57.6	100.0
	Total	139	98.6	100.0	
Missing	System	2	1.4		
Total		141	100.0		

The study reveals that 57.6% have family size between 4-8 and 42.4% have family size below 4, which is a considerable number. Basically it implies the breaking up of the joint family system and emergence of nuclear families. Emergence of nuclear families emphasizes the need for life insurance as the natural protection available under the joint family system, which in the event of death of a bread winner is not available in the nuclear family set up.

The other demographic variable with reference to respondents is given in following tables. These tables are useful to calculate the adequate amount of insurance needed for both government and non government employees.



Table 10

Is Spouse Working					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	60	42.6	48.0	48.0
	No	65	46.1	52.0	100.0
	Total	125	88.7	100.0	
Missing	System	16	11.3		
Total		141	100.0		

Table 11

Monthly Income of Spouse					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up To RS 10000	6	4.3	9.5	9.5
	10001-20000	4	2.8	6.3	15.9
	20001-30000	8	5.7	12.7	28.6
	30001-40000	10	7.1	15.9	44.4
	40001-50000	18	12.8	28.6	73.0
	Above 50000	17	12.1	27.0	100.0
	Total	63	44.7	100.0	
Missing	System	78	55.3		
Total		141	100.0		

Table 12

How Many Kids Do You Have					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 2	60	42.6	63.8	63.8
	2-4	30	21.3	31.9	95.7
	Above 4	4	2.8	4.3	100.0
	Total	94	66.7	100.0	
Missing	System	47	33.3		
Total		141	100.0		

Table 13

Approximate Monthly Expenses					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up To RS 10000	26	18.4	19.4	19.4
	10001-20000	26	18.4	19.4	38.8
	20001-30000	30	21.3	22.4	61.2
	30001-40000	23	16.3	17.2	78.4
	40001-50000	6	4.3	4.5	82.8
	Above 50000	23	16.3	17.2	100.0
	Total	134	95.0	100.0	
Missing	System	7	5.0		
Total		141	100.0		



2.Respondent's awareness, perception and preferences about various aspects of Insurance

1.At first the study finds out whether the employees invest or save money or not. The 141 respondents which are being surveyed currently had given the following answer to the question:

Invest/Save Money					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	129	91.5	91.5	91.5
	No	12	8.5	8.5	100.0
	Total	141	100.0	100.0	

2.Mean Ranking of Investment Preferences of Respondents towards various Investment options:

	Investment Preferences About Bank/Fd	Investment Preference About Life Insurance	Investment Preferences About Mutual Fund	Investment Preferences About Shares And Stocks	Investment Preferences About Gold	Investment Preferences About Pension Savings	Investment Preferences About Real Estate
Mean	3.42	3.30	2.72	2.88	3.18	3.37	3.18
Median	4.00	3.00	3.00	3.00	3.00	3.00	3.00

Bank deposit is the most preferred investment option for respondents followed by life insurance. According to recent Reserve Bank of India report, Bank deposits constitute 58.1 percent of total household savings during the year 2005-06 and the preference stems from the fact of safety of investments. Mutual Fund investment is the least preferred option.

3.How many of the respondents are insured?

A. Gender Wise-Respondents-Insured or Not Insured

Gender Of Respondents * Are You Insured Crosstabulation				
		Are You Insured		Total
		Yes	No	
Gender Of Respondents	Male	71	15	86
	Female	47	8	55
Total		118	23	141

It has been seen from the above table that 86% male are insured and 55% female are insured.

B. Age Wise-Respondents-Insured or Not Insured

Age * Are You Insured Crosstabulation				
		Are You Insured		Total
		Yes	No	
Age	21-25	14	9	23
	26-34	31	7	38
	35-44	29	2	31
	45-54	44	5	49
Total		118	23	141

It has been observed from the above table that, the insured percentage increased from age group 21-25, 26-34 and then dropped in the age group 35-44 and again increased in the age group 45-54. The reasons behind the dropping in percentage of insurance in the age group 35-44 could family responsibilities, liabilities, medical expenses etc.



C. Occupation Wise-Respondents-Insured or not Insured

		Are You Insured		Total
		Yes	No	
Occupation Of Respondents	Government Employee	51	11	62
	Non Government Employee	67	12	79
Total		118	23	141

From the above table it is seen that 82% government employees are insured and 84% non government employees are insured. Rests are non insured.

D. Marital Status Wise Respondents Insured or Not Insured

		Are You Insured		Total
		Yes	No	
Marital Status of Respondents	Bachelor	25	9	34
	Married with Kids	77	6	83
	Married But No Kids	12	4	16
	Widow/Widower	0	2	2
	Divorcee	4	2	6
Total		118	23	141

It is seen from the above table that % of insured respondents is more in married people with kids than married people with no kids. Surprisingly this study show a good % of bachelors is also insured.

E. Income Wise Respondents Insure or Not Insured

		Are You Insured		Total
		Yes	No	
Monthly Income of Respondents	Up To RS 10000	15	3	18
	10001-20000	14	9	23
	20001-30000	11	2	13
	30001-40000	18	5	23
	40001-50000	24	2	26
	Above 50000	36	2	38
Total		118	23	141

It is seen from the above table that as the income increase the % of people getting insured is also increases.

3. Awareness of Respondents towards various types of Insurance (1=Aware, 2=Partially Aware, 3= Not Aware)

	Awareness Status About LI	Awareness Status About HI	Awareness Status About VI	Awareness Status About HI	Awareness Status About Theft & Fire
Mean	1.23	1.37	1.52	1.73	1.96
Median	1.00	1.00	1.00	2.00	2.00

The Median score is calculated. It is observed that the median score is 1 for Life Insurance, Health Insurance and Vehicle insurance and 2 for other two. So one can infer that there is high awareness among respondents about life, home and vehicle insurance and compared to them there is less awareness about Home insurance and Theft and fire insurance.

The median score statistics rejects the Null Hypothesis of There is less Awareness about insurance and accepts alternative hypothesis.

4. Mean ranking of Respondents preferences towards various types of Insurance Policies (Ranking on 5 Point Scale with rank 1to very unimportant and 5 to the very important)



	Preferences Towards Life Insurance	Preferences Towards Health Insurance	Preferences Towards Vehicle Insurance	Preferences Towards Home Insurance	Preferences Towards Theft & Fire Insurance
Mean	3.63	3.71	3.52	3.23	2.98
Median	5.00	4.00	4.00	3.00	3.00

From the above it is seen that, Life Insurance, Health insurance and Vehicle insurance are preferred mostly by respondents. Preferences towards the other two types of insurance are comparatively slightly less as compared to Life and Health Insurance.

4. Types of insurance policies possessed by respondents

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
Respondent	100	100.0%	0	0.0%	100	100.0%
Possession Of Life Insurance Policy	84	84.0%	16	16.0%	100	100.0%
Possession Of Health Insurance Policy	58	58.0%	42	42.0%	100	100.0%
Possession Of Vehicle Insurance Policy	45	45.0%	55	55.0%	100	100.0%
Possession Of Home Insurance Policy	21	21.0%	79	79.0%	100	100.0%
Possession Of Fire and Theft Insurance Policy	9	9.0%	91	91.0%	100	100.0%

It is observed from the table that, approximately 84% respondents have life insurance policies and 58% respondents own health insurance policy. Approximately 66% of the respondents own Vehicle insurance and Home Insurance Policy and only 9% owns Fire and Theft insurance policy.

5. Perception of respondents about Need of various types of insurance

	Perception About Need For Life Insurance	Perception About Need For Health Insurance	Perception About Need For Vehicle Insurance	Perception About Need For Home Insurance	Perception About Need For Theft & Fire Insurance
Mean	4.21	3.84	3.39	3.24	2.91
Median	5.00	4.00	4.00	3.00	3.00

All of the respondents feel that that they strongly need Life insurance. They feel that Health and Vehicle insurance are important, but less important as compared to life insurance. They are neutral about home and fire/ theft insurance.

This rejects our second null Hypothesis which states that the Respondents Perception is negative towards life Insurance. But the statistical analysis shows it is actually positive.

6. Important Reasons behind purchase of life insurance

Compensate against losses from uncertain events	Tax planning measure	Existing Illness	Protection from fire/theft/burglary	Accident, Critical illness and Disability
4.00	3.00	3.00	3.00	4.00

The most important reason given by respondents to buy a Life Insurance policy is they want compensation against losses from uncertain events and also protection from Accident, Critical Illness and Disability. They are more or less neutral about Tax planning measure, Existing Illness and Protection from fire and theft.



7. Awareness levels of Insured Households about their rights as policy holders

Providing correct and factual information	Depositing premium payment in time	Informing insurance company of loss of policy	Informing insurance company of policy maturity	Procedure involved in claim settlement
1.00	1.00	2.00	2.00	2.00

The respondent's awareness about their rights as policy holders is checked. Median value of all the response is calculated. It is found that all the respondents are fully aware about their right of paying policy premium. They are partially aware about their rights of change of mode premium payment, lock in period of policy, change of nominee and surrender value.

8. Awareness levels of Insured Households about their Duties as policy holders

	Cases					
	Included		Excluded		Total	
	N	Percent	N	Percent	N	Percent
Perception About adequacy of Insurance Coverage(Present Insurance Cover is Adequate)	120	85.1%	21	14.9%	141	100.0%

The respondent's awareness about their duties as policy holders is checked. Median value of all the response is calculated. It is found that all the respondents are fully aware about their duty of providing correct and factual information while feeling the insurance proposal and also about depositing premium payment in time. They are partially aware about their duties of informing insurance company of loss of policy, policy maturity and procedure involved in claim settlement.

9. Respondent's awareness and perception about adequacy of Life Insurance

1.

	Premium Payment	Change of mode of premium payment	Change of nominee	Lock in period of policy	Surrender value
Mean	1.39	1.70	1.67	1.87	2.01
Median	1.00	2.00	2.00	2.00	2.00

Respondent's Perception about adequacy of life insurance (Their present life insurance cover is adequate or not)

Report	
Mean	Median
3.04	2.00

From the above table or median value, the 141 respondents who answered this question feel that their present life insurance cover is adequate to maintain the same standard of living of their dependents.

Test 4: Gap between the amount of recommended insurance and the individual's actual insurance holding.

Hypothesis (H₀₄): The individuals are not adequately insured. There is significant gap exists between the amount of recommended insurance and the individual's actual insurance holding.

The recommended amount of insurance for the respondent is calculated using Human Life Value calculator from the website easyinsuranceindia.com.

The actual insurance holding amount is found out from questionnaire. As an example, one case is analyzed here, where the insurance holding of the respondent is 1000000 and the recommended amount is near about 30 lacs. Hence the null hypothesis is proved.



CONCLUSION

It is found that 83% respondents are insured. Respondents are fully aware about Life, Health and Vehicle Insurance. They are partially aware about home and fire/theft insurance. The respondents perception is positive about Life, Health and Vehicle Insurance, whereas their perception towards health and fire/theft insurance is neutral. 85% respondents feel that their present insurance cover is adequate but 63% people are unaware about how to calculate the adequate insurance coverage.

LIMITATIONS OF THE STUDY

1. The size of target population for the study was small.
2. The study is applicable only to salaried individuals and may be extended to self-employed and professionals.
3. The findings may differ if sizably a larger sample size is considered

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