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A study on default consumers on the basis of insurance premium

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Abstract

Nowadays life insurance is an essential factor for the employed and non-employed persons from public and private sector in rural and urban areas with respect to security for further dependent members in the family. Many advisors of insurance companies are working in rural and urban areas. They used different ideas for making the business. Most of the insurance companies launches the market based policies. The period of the policy is very less and totally depends on market risk. According to market position the policy values going to up and down. So there may be profit or loss. But after some period he/she is unable to pay insurance premium. Hence stopped his/her policy and consumer becomes a defaulter. The major causes are market risk and premium is unbearable. This paper studies the defaulters according to insurance premium.

Keywords: Default Consumer, Life Insurance, Premium

1. Introduction

Insurance is a contract between the insurer and the insured wherein the insurer agrees to pay the insured for financial losses arising out of any unforeseen events in return for a regular payment of premium.

After opening up of insurance in private sector, more than thirty new players have entered in the field of insurance both life and non-life business. The monopoly of Government companies has been brought to an end. Thus the Insurance sector has become highly competitive with full of challenges. The insurance and the economic growth of the country mutually influence each other. As the economy grows, the standard of living people also improves. A well-developed insurance sector promotes economic growth by encouraging risk taking.

There are tremendous changes in the attitude of the people about the insurance. They need security but they are not aware for their payments. They know only rights but avoid the duties. The present situation of insurance is a very pitiable. Due to high economic benefits from life insurance, consumer attracted on life insurance policies/products and purchased insurance. But after some period he/she is unable to pay insurance premium and hence stopped his/her policy. The major causes are market risk and premium is unbearable. So that consumer added in the list of defaulters.

2. Materials and Methods

This study was conducted in the Dhule, Nandurbar and Jalgaon districts, which is the part of North Maharashtra in Maharashtra state. This study covered total 300 individuals of different background from six life insurance companies, including Life insurance corporation of India, State Bank of life Insurance, Reliance Life insurance, Postal Life insurance, ICICI prudential life insurance and Bajaj Allianz Life insurance. Then to classify the data as per the area of residence i.e. rural and urban and nature of employment i.e. employed and non-employed.

The method used to collect the information was through questionnaire issued to consumers of life policies and personnel interview of development officers and agents involved in selling the product. The sampling method for selection of sample units was simple random method and sample size is fairly representative of the population. The data then collected and analyzed according to the need of this paper.

3. Interpretation

Table 1: Classification of defaulters according to insurance premium

	Classification according to insurance premium (In Rs.)												
	Below 10,000				10000 to 20,000				Above 20,000				Total
	Employed Urban	Employed Rural	Non-employed Urban	Non-employed Rural	Employed Urban	Employed Rural	Non-employed Urban	Non-employed Rural	Employed Urban	Employed Rural	Non-employed Urban	Non-employed Rural	
Total	21	22	17	25	55	26	38	23	22	14	24	13	300
Percentage	7.00	7.33	5.67	8.33	18.33	8.67	12.67	7.67	7.33	4.67	8.00	4.33	100

The above table reveals that the highest default rate is found in the employed urban consumers and especially in 10,000 to 20,000 Rs. span. The reason behind this result is that these consumers are fully aware about market risk. They knows current status of policy and able to make decision for policy, to be continue or not.

The lowest default rate is found in the non-employed rural consumers, especially above 20,000 Rs span. In this category the most of the consumers are not educated and busy in their daily work. So that these consumers are not known about economy growth of policy.

85 consumers become defaulter in the range of below Rs.10,000, and this ratio is 28.33%. Most of the consumers in first range are unable to pay premium due to financial problem. In the range of Rs.10,000 to 20,000 the 142 consumers become defaulter and this ratio is 47.33% and above Rs.20,000 range 73 consumers become defaulter and this ratio indicates 24.33%.

On the basis of the data it is concluded that highest number of defaulters are found in the range of premium amount 10,000 to 20,000. This explanation is delineated in the following Fig.

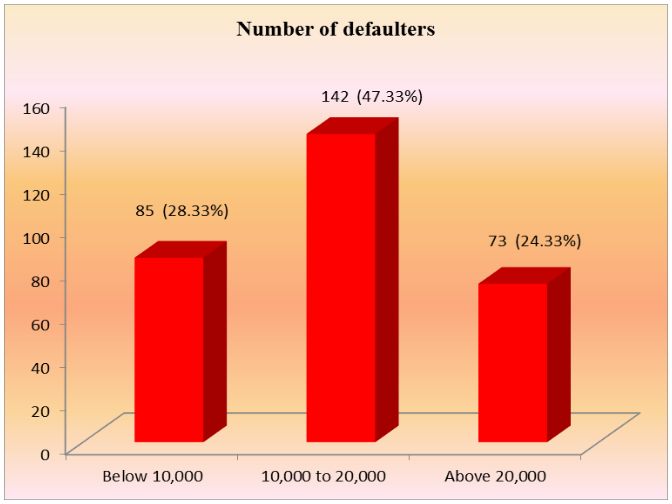

Fig 1: Number of defaulters in the various insurance premium ranges

The above data reveals that in the first range most of the consumers are stopped the policy due to unbearable insurance premium and in the second range, most of the consumers stopped the policies due to market result.

4. Conclusion

It is concluded that the highest default rate is found in the employed urban consumers and especially in 10,000 to 20,000 Rs. span. The reason behind this result is that these consumers are fully aware about market risk. They are able to make decision the policy is to be continue or not. The lowest default rate is found in the non-employed rural consumers, especially above 20,000 Rs. span. In this category the most of the consumers are not educated and they are busy in their daily work. So that these consumers are not known about economy growth of policy.

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