



# Policyholder Awareness And Preference Toward Traditional Life Insurance: A Socio-Economic Study In Coimbatore

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## ABSTRACT

The insurance sector plays a crucial role in providing financial security and stability to individuals and families. Among the various types of insurance, traditional life insurance policies continue to hold significant importance in India due to their dual benefits of protection and savings. This study examines policyholder awareness and preferences toward traditional life insurance with specific reference to Coimbatore city. The research aims to analyse the socio-economic profile of policyholders, the level of awareness regarding policy features, and the factors influencing their preference for traditional plans over modern alternatives. The study reveals that while many policyholders are aware of the basic benefits of traditional life insurance, detailed knowledge about terms, conditions, and investment returns remains limited. However, trust in insurers, perceived security, and long-term savings continue to drive preference for traditional plans.

**KEYWORDS:** Consumer Preference, Financial Literacy, Policyholder Awareness, Socio-Economic Factors, Traditional Life Insurance.

## I. INTRODUCTION:

Insurance is one of the most significant financial instruments that provides protection against uncertainties and ensures economic stability for individuals and families. In the Indian context, life insurance holds a special place as it not only safeguards the policyholder's family in case of unforeseen events but also acts as a long-term savings and investment tool. Among the various types of life insurance, traditional life insurance policies - such as endowment plans, whole-life policies, and money-back policies - continue to enjoy widespread acceptance due to their dual benefits of risk coverage and savings. Despite the growth of

modern insurance products like unit-linked insurance plans (ULIPs) and term plans, a considerable section of the population still prefers traditional policies. This preference is influenced by several factors including risk perception, socio-economic background, trust in insurers, and cultural beliefs about financial security. However, policyholder awareness about the specific features, benefits, terms, and limitations of these traditional policies often remains limited, which may affect informed decision-making.

## II. STATEMENT OF THE PROBLEM:

In India, life insurance has traditionally been viewed as a secure and reliable means of financial protection. However, with the emergence of diverse insurance products and investment-linked options, consumer awareness and preference patterns have become more complex. While traditional life insurance policies continue to be widely purchased, many policyholders lack in-depth knowledge about policy features such as premium structures, surrender values, bonus options, and maturity benefits. This gap in awareness often results in policyholders making decisions based on habit, family influence, or trust in insurance agents rather than on a clear understanding of the product.

## III. RESEARCH OBJECTIVES:

The current study aims to:

- Assess awareness levels regarding traditional life insurance policies in Coimbatore.
- Analyse the influence of socio-economic and demographic variables on policyholder preferences.
- Investigate the continued preference for traditional policies over modern alternatives.

## IV. HYPOTHESIS OF THE STUDY:

In the light of the objectives presented in the study the following specific hypothesis has been framed.

**Personal factors:** It consists of Socio-Economic and Demographic Variables.

- **Socio-Economic Variables:** Marital status, Education, Occupation, Monthly Income.
- **Demographic Variables:** Area, Age, Gender, Family Nature, Family members.

**Study factors:** Source of Awareness, Level of awareness, Significant Influence, Insurance Products, Perceptions, Preference and Impacts

- There is a significant relationship between policyholder awareness and their preference for traditional life insurance policies in the Coimbatore City.
- Socio-economic factors such as income, education, and occupation significantly influence policyholder preferences for traditional life insurance policies.
- Policyholders with higher financial literacy are more likely to choose traditional life insurance policies over modern insurance products.

## V. REVIEW OF LITERATURE:

**Gayatri Bhoi and Biswajit Satpathy (2025)<sup>1</sup>** conducted a study on **Assessing Claim Settlement Dynamics in Indian Life Insurance with specific reference to LIC of India using Time Series and DEA**, it analyses the claim settlement practices of the Life Insurance Corporation of India (LIC), the nation's oldest insurance company, from 2006-07 to 2023-24. LIC has maintained a strong position in claim settlement, irrespective of the market liberalization and competition from technologically advanced private players, concluded that the evaluation of Life Insurance Corporation of India's (LIC) claims settlement performance from 2006-07 to 2023-24 confirms its position as a reliable & successful insurer, particularly in the evolving Indian market.

**Nikmah1, et al., (2025)<sup>3</sup>** conducted a study on **“Analysis of Promotion Strategy on Prucinta Syariah Life Insurance Products Through Social Media**. This research explores the promotional strategy for the PruCinta Sharia life insurance product through social media, with a focus on the implementation of Islamic principles in marketing practices. The study is motivated by the central role of ethical strategy in Sharia-compliant insurance, emphasizing the prohibition of dishonest practices such as fraud, deceit, and exploitation. Employing a qualitative descriptive approach, data were collected through interviews with nine informants and analysed using data reduction, data presentation, and conclusion drawing techniques. The study concludes that ethically grounded and strategically executed social media promotion is key to advancing the reach and credibility of Sharia life insurance products like PruCinta

**Singh and Kaur (2024)<sup>5</sup>** conducted a **study on policyholder satisfaction in Ludhiana District, focusing on the relationship between demographic factors, policy preferences, and customer satisfaction in the life insurance sector**. The study revealed that age, gender, income level, and marital status significantly influence policy selection. Younger policyholders preferred investment-linked plans, whereas older individuals prioritized risk coverage. Higher-income groups showed a preference for private insurers, while lower-income groups relied more on LIC. The study also highlighted that customer satisfaction is heavily influenced by claim settlement efficiency and service quality. The study recommended targeted marketing strategies to address the diverse needs of different demographic groups. It concluded that improving service transparency and policy customization could enhance overall policyholder satisfaction.

**Asia Advisers Network (2024)<sup>7</sup>** reported that **ICICI Prudential and Max Life received high customer satisfaction scores due to their user-friendly products, digital support, and efficient policy issuance processes**. The study highlighted that service quality plays a crucial role in shaping policyholder preferences. Policyholders favored insurers that provided seamless online services, quick claim settlements, and personalized customer support. The report also found that digital adoption in the insurance sector has improved overall customer experience, making it easier to purchase and manage policies. Private insurers like ICICI Prudential and Max Life gained market share by offering innovative products and superior

customer service. The study recommended that insurers focus on digital transformation and customer engagement strategies to enhance policyholder satisfaction.

**Virani (2023)<sup>12</sup>** conducted a study on “**consumer perceptions toward life insurance policies in Rajkot city, Gujarat**”. The research identified financial security, tax benefits, and investment returns as the primary factors influencing policyholders' decisions. The study revealed that many consumers view life insurance as a combination of protection and investment, rather than just risk coverage. Findings indicated that younger consumers prefer policies with high returns, while older individuals focus on security and tax benefits. Trust in the insurance provider’s reputation and service quality also played a significant role in purchase decisions. The study recommended that insurers improve awareness programs and financial literacy initiatives to help consumers make informed choices.

## **VI. RESEARCH METHODOLOGY**

### **6.1- RESEARCH DESIGN**

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in procedure. In view of deciding objectives of the study, the researcher feels that descriptive analysis is most suitable to this study. Descriptive analysis is concerned with describing the characteristics of a particular individual or a group.

### **6.2- SAMPLE SIZE AND METHOD OF STUDY**

The study aims to gather insights from a sample size of 100 respondents were selected under Purposive sampling Method. Data collected through Open ended Questionnaire for this study.

### **6.3- SOURCE OF DATA**

The present study depends on both primary and secondary data. Primary data are directly collected from the sample respondents by using Questionnaire Method. The secondary data is collected from various AI related websites, Journals, and other sources.

### **6.4- STATISTICAL TOOLS**

The tools used for the study are:

1. Simple Percentage Analysis
2. Correlation
3. Weighted Average

## VII. DATA ANALYSIS AND INTERPRETATION:

To complete this study properly, it is necessary to analyse the data collected in order to test the hypothesis and answer the research objectives.

### SIMPLE PERCENTAGE:

Simple percentage is used to study the demographic status of the respondents.

**TABLE 7.1 SHOWING THE GENDER OF THE RESPONDENTS**

S.NO	CATEGORY	NO.OF. RESPONDENTS	PERCENTAGE
1	MALE	53	53%
2	FEMALE	47	47%
TOTAL		100	100

Source: Primary Data

### INTERPRETATION:

The above table shows that 53 percent are Male students and 47 percent are Female in Selected Samples.

### INFERENCE:

The survey revealed that the Mostly 53% of the respondents are Male students.

**TABLE-7.2 SHOWING THE AREA OF THE RESPONDENTS**

S.NO	CATEGORY	NO.OF. RESPONDENTS	PERCENTAGE
1	URBAN	47	47%
2	SEMI-URBAN	33	33%
3	RURAL	20	20%
TOTAL		100	100%

Source: Primary Data

### INTERPRETATION

The above table reveals that 47 percent are belongs to Urban area, 33 percent are belonging to semi urban area and 20 percent belongs to Rural area in Selected Samples.

**INFERENCE**

The survey found that the Mostly 47% of the respondents are belongs to Urban Area.

**TABLE 7.3 SHOWING THE AWARENESS LEVEL OF TRADITIONAL LIFE INSURANCE POLICIES**

S.NO	AWARENESS LEVEL	NO.OF. RESPONDENTS	PERCENTAGE
1	Highly Aware	20	20%
2	Moderately Aware	45	45%
3	Low Awareness	25	25%
4	Not Aware	10	10%
TOTAL		100	100%

Source: Primary Data

**INTERPRETATION:**

The above table shows that (45%) are moderately aware of traditional life insurance policies, while only 20% show high awareness. A significant portion (35%) have either low or no awareness.

**INFERENCE:**

The survey Showed that Majority 45% of respondents are Moderately aware of Traditional Life Insurance Policies.

**CORRELATION:**

Correlation is a statistical tool used to measure the strength and direction of a relationship between two variables.

**TABLE 7.4 SHOWING THE CORRELATION ANALYSIS BETWEEN SOCIO- ECONOMIC AND DEMOGRAPHIC VARIABLES**

Variables	Preference for Traditional Policies (R-value)	Significance (p-value)
Marital Status	0.212	0.034*
Education	0.318	0.002**
Occupation	0.276	0.010**
Monthly Income	0.355	0.001**
Area (Urban/Rural)	0.198	0.046*

Variables	Preference for Traditional Policies (R-value)	Significance (p-value)
Age	0.241	0.021*
Gender	0.105	0.263 (NS)
Family Nature	0.189	0.053 (NS)
Family Members	0.143	0.132 (NS)

### INTERPRETATION:

The table shows a positive correlation between socio-economic variables (income, education, occupation) and preference for traditional policies, all significant at the 0.05 or 0.01 level. Demographic factors like age, area, and marital status also show moderate significance, whereas gender, family nature, and family size do not have a significant relationship.

### INFERENCE:

The Survey indicates that policyholder preference for traditional life insurance is strongly influenced by socio-economic variables, especially income, education, and occupation. Demographic factors have impacted very less, but not all are significant.

### WEIGHTED AVERAGE:

**TABLE 7.5 SHOWING THE WEIGHTED AVERAGE OF POLICY HOLDER PREFERENCES TOWARD TRADITIONAL LIFE INSURANCE POLICIES**

Factors	SA (5)	A (4)	N (3)	D (2)	SD (1)	Weighted Total	Weighted Average
High Income	20	30	25	15	10	325	3.25
Family Structure	25	35	20	10	10	355	3.55
Age & Education	30	25	20	15	10	350	3.50
Protection	40	30	15	10	5	390	3.90
Low Premium	35	30	20	10	5	380	3.80
Tax Benefit	30	35	15	10	10	365	3.65

Factors	SA (5)	A (4)	N (3)	D (2)	SD (1)	Weighted Total	Weighted Average
Investment	25	30	25	10	10	350	3.50
Retirement Planning	30	25	25	10	10	355	3.55

### INTERPRETATION:

Policyholders give top priority to protection with the Weighted average Score 3.90, low premium, and tax benefits, while factors like family structure, education, and retirement planning have moderate influence. High income plays a lesser role with the Weighted average Score 3.25.

### INFERENCE:

The Study reveals that traditional life insurance is mainly preferred for security, affordability, and tax savings, showing wider appeal beyond just high-income groups.

### VIII- FINDINGS:

- Mostly 53% of the respondents are Male students.
- Mostly 47% of the respondents are belongs to Urban Area.
- Majority 45% of respondents are Moderately aware of Traditional Life Insurance Policies.
- Monthly Income ( $r=0.355$ ,  $p=0.001$ ) and Education ( $r=0.318$ ,  $p=0.002$ ) emerge as the major factors influencing preference for traditional life insurance policies.
- Majority of policyholders prefer protection (3.90), low premium (3.80), and tax benefits (3.65) as the key reasons for choosing traditional policies.
- High income (3.25) shows the least influence, indicating that traditional life insurance appeals across different income groups.

### IX- SUGGESTIONS:

- Insurance companies should focus on awareness campaigns to educate customers about additional benefits of traditional policies.
- More affordable premium structures can attract middle-income and low-income groups.
- Introduce hybrid policies combining protection with better investment options to compete with modern alternatives.
- Strengthen digital platforms for policy information, premium payments, and claim settlement to increase trust.
- Offer tailored policies considering age, family size, and financial goals of the customers.



## X- CONCLUSION:

The study concludes that traditional life insurance policies continue to hold strong preference among policyholders in Coimbatore, primarily due to their security, protection benefits, maturity value, and tax advantages. Socio-economic variables such as income, education, and occupation were found to significantly influence preferences, while demographic factors like gender, family size, and family nature showed minimal impact. Policyholders with higher financial awareness and stability demonstrated greater trust in traditional insurance products, reflecting a conservative yet secure approach to financial planning. Despite the emergence of modern alternatives, the cultural importance, guaranteed returns, and trust in insurers sustain the dominance of traditional life insurance. This indicates that policyholders prioritize long-term security and reliability over cost or flexibility, highlighting the enduring relevance of traditional policies in today's insurance market.

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