

# The effectiveness of freelook period finance essay

Finance



**ASSIGN  
BUSTER**

Submitted to Amity University for the registration of the topic for MBA  
(Insurance & Banking) in ASIBASSession 2011-2013

## **Submitted by Supervised by**

Student name-Abhinav SharmaMBA-A Supervisor Name – Mr. K. C

SethiAddress-70-D Pocket-F Mayur Vihar Designation- ProfessorPhase -2

Delhi-91 Amity School of Insurance BankingAnd Acturial Sciencehttp://www.  
eatingcontest. in/wp-content/uploads/2012/01/FINAL-LOGO1. png

## **AMITY UNIVERSITY, NOIDA**

### **ACKNOWLEDGEMENT**

I am thankful to Amity University Uttar Pradesh for providing me with such an immense opportunity to pursue such an enriching course in MBA- Insurance and Banking with such a robust curriculum. A hearty gratitude to Amity School of Insurance Banking and Actuarial Science to assist in the placement of summer internship program. I am obliged to be under the constant guidance of, Mr. K. C Sethi , Mr. Rajesh Verma, Mr. O. P. Gupta and Mr. I. J. Jain. I would like to thank my respected faculty Mr. B. R. Singh, Mr. J. L Kapur, Mr. R. C. Bhatnagar and Mr. Kamal Gulati for enlightening our minds with their knowledge and expertise which have proven to be helpful all along. Last but not at all the least, I would like to thank the head of the Institution Mr. R. R. Grover for extending such unconditional support for making this project to happen..

### **Preface**

This project report intends to explore the dimension of awareness of Freelook period in the insurance industry and to explore its far reaching

effect on the prospect of the growth and development of the insurance business. This project report explores the perception and responses of the customers with respect to the freelook period in insurance policy.

## Contents

Chapters	Page No.
Introduction.....	
Literature Review.....	Objectives of the
Study.....	Scope of the
Study.....	Research
Methodology.....	Data
analysis.....	Findings and
Conclusion.....	
Appendix.....	

## Introduction

### Introduction To Insurance

A contract of Insurance can be defined as a contract whereby one person, called the 'insurer' undertakes in return for a consideration, called the 'premium', to pay to another person called 'assured', a sum of money or its equivalent on the happening of a specified event. The happening of the specified event must involve some loss to the assured or at should expose him to adversity, which in insurance parlance is called 'risk'. Basically the concept of insurance is to transfer the loss suffered by an individual to another person. The insurance sector has gone through a number of phases by allowing private insurance companies to solicit insurance and also allowing foreign direct investment of up to 26%, the insurance sector has

been a booming market in today's scenario. However, the largest life insurance company in India is still owned by the government i. e Life Insurance corporation of India(LIC).

## **WHAT IS LIFE INSURANCE?**

Life insurance is a contract between a policy holder and insurance company, where the insurer promises to pay a sum of money i. e(the " benefits") upon the death of the insured person. The policy holder typically pays a premium, either regularly or in a lump sum. Life insurance is basically an insurance of human beings. Though Human life cannot be valued, as no one can measure it in a monetary sum so it can be measured or determined based on loss of income in future years. Hence in life insurance, the Sum Assured which is benefit (or the amount guaranteed to be paid in the event of a loss) is paid . Life insurance products provides a definite amount of money to the dependants and legal heirs of the insured in case the insured dies during his active income earning period or becomes disabled due to accident which ultimately causes a stoppage and complete loss in his income earnings.

## **LIFE INSURANCE IN INDIA**

The insurance sector in India has come with a full circle from being an open competitive market to nationalization market and back to a liberalized market again. Tracing the development in the Indian insurance sector reveals the 360 degree turn witnessed over a period of almost two centuries.

## **A BREIF HISTORY OF THE LIFE INSURANCE SECTOR**

The business of life insurance in India started in the year 1818 with the establishment of the Oriental Life Insurance company in Calcutta. Some of the important milestones in the life insurance business in India are : 1912: The Indian life Insurance companies act was first enacted as the first step to regulate the life insurance business. 1928: The Indian Insurance companies act was enacted to enable the government to collect statistical information about both life and non-life insurance businesses. 1956: In this year 245 Indian and foreign insurers and provident societies are taken over by the central government and were nationalized. LIC was formed by an act of parliament, viz. LIC Act 1956, with the capital contribution of Rs. 5 crore from the government of India. On the other hand, the general insurance business in India trace its roots to the Triton insurance company Ltd., and the first insurance company was established in the year 1850 in Calcutta by the British.

### **Health Insurance:-**

IRDA has introduced the concept of health Insurance for those persons who want to cover themselves from loss by illness or bodily injury. Health Insurance is basically a contract that covers your medical expenses. It is a contract between insurer and individual/group in which the insurer agrees to provide specific health insurance cover at a particular premium subject to terms and conditions specified in the policy. The option of Freelook period in Health Insurance is also available where policyholder can return the policy if

he is not satisfied. But for Health Insurance policies the term should be for atleast 3 years in order to utilize the option of freelook period.

## **What is a Free Look Period in Insurance?**

IRDA has introduced the concept of free look period where the policyholder was given 15 days time to review the terms and conditions of the policy from the date of receipt of policy. In case he disagrees to any of the terms and conditions, then he can exercise the option to return the policy, stating the reasons for his objections. But In case the policyholder exercises the free look period option and returns the policy, the insurance company should refund the premium paid, after deducting all the expenses incurred on medical examination and stamp duty charges. In India IRDA has made it mandatory for all insurance companies to grant 15 days free look period for health and life insurance contracts. A policy holder can return the policy back to the insurer within 15 days from the receipt of the policy documents.

## **Free-Look Period**

Post purchase of the policy within certain duration if customer realize that he/she don't want the policy then customer can return it and get a refund of premium paid less certain charges. Conditions applicable: This applies only to Life insurance policies and To Health insurance policy that are for a term of at least 3 years You can exercise this option within 15 days of receiving the policy document You have to communicate to the company in writing The premium refund will be adjusted for proportionate risk premium for the period on cover expenses incurred by the insurer on medical examination and stamp duty charges The rationale of a free look period lies in the fact that the majority of individual customers of these products are lay persons who might

<https://assignbuster.com/the-effectiveness-of-freelook-period-finance-essay/>

not be able to understand all the terms and conditions at a glance. If you feel that you have been short-changed, lied to or been put under duress to buy a policy that you do not need, then you can exercise your right to return the policy.

## **Free-look period for Life Insurance policies**

What you must knowAs consumers, we often regret after buying a product that we bought the wrong product, or didn't get the specifications right, or realize that we were sold wrong product. Usually, it does not matter if the product is not too costly. But, what if the product is a life insurance policy and the premium you have paid is say about Rs 50, 000? Fortunately, consumer protection rules exist. In the case of insurance, there is a " free-look" period during which you can return your policy, with no questions asked. Here we share with you some basic knowledge on this facility so you can make smarter decisions regarding your insurance purchase.

## **Benefits of Free Look Period**

Freelook period is very beneficial for the customers , In case the customer feels that he has not received the product which was being told or discussed with the agent then he has an exit route through Free Look Period. He can go through the finer details of the contract and if he is not satisfied then he can return the policy. In case of miss-selling In Insurance, Free Look Period is also used to safeguard the customer's interest and policies. There have been many cases where the customers has been explained a different policy and was given different policy or customer gives cheque to a banker and he receives a single premium policy. Free look period facility is a great tool for controlling Miss selling of the insurance product.

<https://assignbuster.com/the-effectiveness-of-freelook-period-finance-essay/>

## **Procedure of using Free Look Period-:**

In case you wish to return the policy to the insurer, then you should immediately call the insurer customer service department and enquire about the procedure of returning the policy. Insurer can ask for the return of the original policy copy contract and the cancellation form. You may also visit the local branch personally to do the required formalities and cancel your policy.

## **Deductions while applying for Free Look Period withdrawal**

In case of Free Look Period withdrawal, the policy gets cancelled and entire premium is paid back to the investor with deduction of the following charges:

Charges incurred by the insurer for medical tests of the policy holder while granting the policy. Administrative cost and service cost of the company like stamp duty etc. Charges for the mortality for the period the policy was in force. In case of ULIPs the policy holder will have to bear the NAV movement.

**Skirting The Free Look Period-** Today most of the agents are taking advantage of this Freelook period as Agents have been increasingly coming up with various ways and techniques to ensure that the policyholder is not able to use this 15 days period for what it is intended. The most common way to get withhold with this period is non-delivery of policy documents within the free-look period, so that the policyholder did not get time to examine his policy and its terms and conditions. The only advice in all such circumstances is to cancel the policy, when your agent tries to stall or unnecessarily delay the delivery of documents during the free-look period.



## **Post IRDA Act, 1999**

The IRDA Act was enacted with the objective to protect the interests of insurance policy holders and to regulate, promote and ensure orderly growth of the insurance industry. Even after the opening up of the sector, although benefits of liberalization could be seen with increase in volumes of premium, there was little innovation in the tariff driven Life Insurance business. The Insurance Regulatory and Development Authority, or IRDA, issued a circular directing all life insurance companies not to deduct any premium in cases where the insured decides to return its policy during free look period. Under free look period, the insured gets 15 days period from the date of receipts of policy documents to return the policy if he or she disagrees with terms and conditions of the policy. The regulator also issued a draft on corporate governance guidelines for insurance companies to protect the interests of policy holders. The draft has details on governance structure, control functions, disclosures and relationship with stakeholders.

## **List of Life Insurance Companies**

1. BAJAJ Allianz LIFE INSURANCE CO. LTD. 2. BIRLA SUN LIFE INSURANCE CO. LTD. 3. HDFC STANDARD LIFE INSURANCE CO. LTD. 4. ING VYSYA LIFE INSURANCE CO. PVT. LTD. 5. LIFE INSURANCE CORPORATION OF INDIA. 6. ICICI PRUDENTIAL LIFE INSURANCE CO. LTD. 7. KOTAK MAHINDRA LIFE INSURANCE CO. LTD. 8. MAX NEW YORK LIFE INSURANCE CO. LTD. 9. METLIFE INDIA INSURANCE CO. PVT. LTD. 10. SBI LIFE INSURANCE CO. LTD. 11. TATA AIG LIFE INSURANCE CO. LTD. 12. DABUR CGU LIFE INSURANCE COMPANY PVT. LTD.

- 
- 

## LITERATURE REVIEW

### Literature review

In case the policyholder suffered from mis-selling, limit of 15 days is not applicable. He can come back anytime during the policy tenure, however, it is advisable to write to insurance company as soon as the mis-selling is noted. The greater the delay, it gets more difficult to prove the fact of mis-selling... Abhinav Gullechha

In case of Free look, it is advisable to directly contact/ write to the customer care rather than depending on the agent. In case the agent delays the case, it may be difficult to explain the delay to insurance company, in absence of any documentary evidence/ correspondence with the agent.... Abhinav Gullechha

Free look option must not be misused as an option that allows the policyholder in being lax at the time of product selection. Prospect should do his/her own due diligence at time of product selection. There is no fun wasting all the time in the world applying for a product without having adequate research and then making a Free look claim. And yes it is well said that, if one can't make the choice himself, it's better to take expert advice.(A study by J. D. Powers). We must share the concept of Free Look Period with our friends – let's save few more financial lives. As a consumer, at times we regret buying products at the later stage, this is generally because as a matter of fact, we start analyzing the product only after we have paid for it before that we don't make any suggestions. Wouldn't it be great if you can get some time to understand the product after paying for it? Such an advantage comes with life insurance

policies to enable users to decide whether they wish to continue with the current policy or return it. This time duration is generally of 15 days, within which you have to take a decision. It is known as free-look period. There are various studies related to Insurance Sector in India and abroad. It was found that the numerous numbers of literatures is available on insurance industry and its various aspects. Few relevant reviews are putting here in the context, they are as follows:(Randhey and Ahuja)(1999), Says that need for private sector entry has been justified on the basis of enhancing the efficiency of operations, achieving a greater density and penetration of life insurance in the country, and for greater mobilization of long-term savings for long gestation infrastructure projects.(Raju Satya R). (2004), Found out that the insurance agents, development officers' employees, and other executives at different levels should work together to achieve the objectives and mission of the company and also they should face the present and future competition as a challenge. The insurance product and services should be designed and offered as per the customer requirements so that the customer should not feel the use of free look period.(Selvakumar & Priyan) (2010) found that insurance companies are increasingly tapping the semi-urban and rural areas to take across the message of protection of life through various insurance cover. Higher level of protection implies that customers are more conscious of the need for risk mitigation, greater security, and more about the future of their dependents. Insurance sector has been evolving and improving its underwriting and risk management abilities. The research review identifies the links between insurance, financial sector performance and growth in substantial details, by in helping define the insurance economic growth relationship and supporting the policy conclusions of the report. Inclusions

<https://assignbuster.com/the-effectiveness-of-freelook-period-finance-essay/>

and exclusions are also important to be considered in any life insurance policy. Inclusions are the circumstances where the given policy will cover you whereas, exclusions are areas where it will prove negative and futile. Check and find out whether it suits your condition. For instance, if there are more than one condition, likely to be yours, mentioned in exclusions, the policy will more likely to be futile for you as it will not cover you in those circumstances. In such a scenario, it would be advisable to you to abandon the policy. The Insurance Regulatory and Development Authority (IRDA), issued a circular on directing all life insurance companies not to deduct any premium in cases where the insured decides to return its policy during free look period. Under free look period, the insured gets 15 days period from the date of receipts of policy documents to return the policy if he or she disagrees with terms and conditions of the policy.(IRDA journal)But as they say, " Be aware". It is better to let your agent know in the first meeting itself, that you know all about the Free Look Period clause. Enlighten him that if he tries to conceal or mis-represent you will exercise your right. (Accenture Research Report, 2011)Cancellation of policy by complainant. Claim for refund of all premium paid. On canceling the policies the complainant is only entitled to the surrender values of the policies. It is immaterial what circumstances prompted him to cancel the policies. (LICI vs. Anil Tadmalkar) (However, as per IRDA (Protection of Policyholders' Interests)Regulations 2002, there is provision of Free Look period.)

## CASES OF FREELook PRIOD

### Case -1Kochi Ombudsman Centre

Sri. Anupam MaitiVsBajaj Allianz Life Ins. Co. Ltd. Award Dated : 06. 02.

2008There was a case of Sri Anupam Maiti on 21. 2. 07 he took one insurance policy of name New Unit Gain Product for a sum of Rs. 10000/-. He said that he has not been supplied the policy document inspite of his various visits to offices and also telephonic enquiries, as a result of which he was not able to exercise the option of free look under the above policy. As the administrative charges are very high so that's why he wants to withdraw from the contract by opting free look option as per policy condition. The response of insurance company to the above statement was that they have issued the policy as early on 30. 3. 2007 in the address mentioned in the proposal form but due to incomplete or incorrect address it might not have reached to the complainant. At the time of hearing, the representative of Insurance co. asks a week time to collect evidence of dispatch particulars which was granted and the case was posted to 6. 2. 08. Even on this day insurer was not able to produce any onus proof that he has dispatched the policy on time. As per IRDA regulation the policy holder has the option to withdraw from the contract and get the amount of premium refunded within 15 days from the date of receipt of policy document. But in this case the policy document was not received by the complainant so he can still exercise the option of free look period even now. Hence an award was passed directing the insurance co. to refund the premium paid with 9% interest.

## Case -2Kochi Ombudsman Centre

Sri. SabuVsBirla Sunlife Ins. Co. Ltd. Award Dated : 06. 02. 2008

There was again a case of freelook period where the complainant had taken a Classic Premier Policy of Birla Sun Life Insurance co. Ltd by submitting a proposal on 8. 7. 06. The policy was issued on 8. 7. 06 for a sum assured of Rs. 4, 35, 000/- with an annual premium of Rs. 87000/- payable in 3 years. The term of policy was for 10 years. The complaint of the complainant was that his intention was to take a policy with a single premium of Rs. 87000/- and he had already made it clear to the agent that he wants only a single premium policy and he was not in a position to afford regular premium payment. He also remitted Rs. 25000/- on 25. 7. 06 towards top up premium. The customers only request was to treat the policy either as a single premium policy or convert it into a policy where the yearly premium payable is only Rs. 25000/-. But his request was turned down by the insurance co. and finally he approached the Forum for justice. It was stated by the insurer that he has proposed for a policy for a sum insured of Rs. 435000/- with yearly premium of Rs. 87000/- payable in 3 years and for a policy term of 10 years. The policy was issued as stated by the customer . He being a post graduate signed the proposal only after reading and understanding all the term and condition of policy. He has also not exercised the option of canceling the policy under free look option. As per rules of IRDA it is not possible to reduce the sum insured or premium. There is a contract between insurer and insured and on the basis of contract the proposal form is submitted by the proposer. The terms of policy will decide the rights available to the insured. On going through the proposal form it was very clear that the proposer had proposed for a sum assured of Rs. 435000/- with premium payment of Rs.

<https://assignbuster.com/the-effectiveness-of-freelook-period-finance-essay/>

87000/- under yearly mode payable for 3 years and the policy was issued strictly according to proposed condition. If the intention of the proposer was to have a single premium policy he would have cancelled the policy under Free look option within 15 days of receipt of policy. He has not invoked this option also. Also there is no case that the signature in the proposal was not that of the proposer. Hence there is absolutely nothing in the contention of the complainant and the complaint is therefore dismissed.

### **Case-3Kochi Ombudsman Centre**

Smt. Saraswathy . VsMax New York Life Insurance Co. Ltd. Award Dated : 06.

03. 2008The complaint was reported in March 2006, when one agent of Max

New York Life Insurance Co. approached the client along with an executive

from the Co. and persuaded the client to take an insurance policy. By so

much influence by the agents and ins. Co. she agrees to take a single

premium policy with premium of Rs. 10000/-. Even though payment of

premium was made in March 2006, but she received the policy certificate on

June 2007. On receiving the policy it was found that instead of a single

premium policy, a policy with yearly mode of payment of premium was

issued to her. As she was a pensioner and has no means to remit yearly

premium and hence she immediately made attempts to resolve the problem

by contacting the agent and also gave a written request to the office of

insurance co. to cancel the policy and refund the premium paid. It was stated

by the Insurance co. that the request for cancellation of policy was received

only in Oct. 07, after more than one year of dispatch of policy documents.

The policy document with date of commencement 11. 6. 06 was issued as

early as July 06 and the request for cancellation was not received within 15

days of receipt of policy, as they are not in a position to cancel the policy and refund the premium paid. In the first letter dated 8. 7. 07 it was stated that the documents were received few months after and in the e. mail dated. 8. 10. 07 it was stated that policy was received in June 07. The statement given by the complainant herself is contradictory and hence they are justified in denial of refund of premium paid by invoking free look option. The case of the complainant is that immediately on receipt of policy document in June 07, she approached the agent at their Office of the insurance co. to get the problem solved. She has emphatically denied that the policy document was served to her in July 06. But it is to be noted that insurance co. is acting through human agency and what all they have done must be borne out of records. Hence if the document was served in July 2006, they might have some records to produce. But they failed to produce any records instead they sought one weeks time upto 13. 3. 08 to produce evidence of dispatch particulars of policy documents. On 13. 3. 08 the representative of insurance co. has submitted that they have no evidence to show that the policy was issued in July 06. Hence the contention of the complainant that the policy document was received only in June 07 is to be accepted. The request for cancellation was received within free look period and insurer is therefore directed to refund the premium paid.

## **OBJECTIVE OF STUDY**

The proposed research study is to be centered around fulfilling the following objectives -To acknowledge the need of free look period. To identify the level of awareness among the customers. To verify the level of Understanding of free look period among the target populationTo identify the impact of free



look period in current market scenario. How free look period is helping to create more customer oriented market. Scope of the Study This research project strives to study the Freelook period in the area of Life Insurance. The study would include chiefly the main portfolios of the life and general insurance which are: Term Insurance, Endowment plan Insurance, ULIP, Health Insurance

## **Research Methodology**

Research may be defined as a systematic approach or method consisting of enunciating the problem, formulating a hypothesis, collecting the facts or data, analyzing the facts and reaching at certain conclusions, either in the form of solution towards the concerned problem or in certain generalizations for some theoretical formulation. Research may also be defined as a scientific study, it is a means of logical and systematized techniques which aims to...

- a. Discover new facts related to research problem or verify and test old facts
- b. Analyze their sequences, inter-relationships and explanations which are derived within an appropriate theoretical frame of reference
- c. Develop a new scientific tools, new concepts, and new theories which would facilitate reliable and valid study of human behavior in decision making.

Research methodology may be defined as a way to systematically solve the research problem. Research methodology constitutes of research methods, techniques, used in context of research study and explanation of each by using of a particular method or technique. The question arises- Why a research study has been carried out, how the research problem has been formulated what data have been collected and what particular methods have been adopted, why a particular technique of analyzing data has been used

and a host of similar other questions are usually answered when we talk of research methodology concerning a research problem or study.

## **Hypothesis**

A hypothesis may often define as a probable generalization and whose validity is not yet been tested. Even a noval idea or a hunch may transform into a hypothesis which then becomes the actionable agenda of a research project. Hypothesis may be defined as proposition, condition or principle which is assumed, perhaps without belief, in order to draw out its logical consequences and by this method to test its accord with facts which are known or may be determined. A hypothesis may be directly or indirectly confirmable. It is confirmed directly if some observation or experiment can test it. The hypothesis that coffee taken at night makes a man sleepless can be tested by giving coffee at night to a number of people a number of times and observing its effect on them. Where we cannot confirm a hypothesis directly, we consider consequences derived from it or we can examine the validity of its opposite consequences.

## **Hypothesis**

Ho (Null Hypothesis): The consumers do not have a significant knowledge about the free look period. H1 (Alternate Hypothesis): The consumers have a significant knowledge about the free look period. Ho (Null Hypothesis): The free look period has not helped in creating a customer oriented market. H1 (Alternate Hypothesis): The free look period has helped in creating a customer oriented market.

## **Research Design**

Descriptive Research

## **Sample Size**

The sample size will be that of 200 policies purchased obtained by different customers. The geographical area covered would be Delhi and adjoining regions.

## **Method of data collection**

The collection of data will be done be through survey method.

## **Tools of Data Collection**

The tool of data collection will be questionnaire.

## **Expected Contributions from the study**

Customers do not have much knowledge about the freelook period.

Recommendations to make more awareness of freelook period by advertising and other promotional tools. To find if there exists mis-selling of wrong products to customers by agents and other parties.

## **Data Analysis**

### **Data Analysis and Interpretation**

Q. 1 Do you have taken any kind of insurance?

Code	Response	Frequency	Percentage
0	No	001	Yes
200	100		

## **Interpretation**

To this question almost all the customers which were part of sample have taken some kind of Insurance. Above figure indicates that 100% of the

customers have taken Insurance. Q. 2 What kind of insurance product is been used by the company? CodeResponseFrequencyPercentage1Term Insurance Plan6130. 52Endowment plan8341. 53ULIP3517. 54Health insurance2110. 5

### Interpretation

The above data indicates that Endowment plan policies is been purchased by 41% of the customers . Also Term Insurance plan is been purchased by 30% of the customers. ULIP is been opted by 18% of the customers . Health Insurance is been opted by 11% and of the customers. Q. 3How do you purchase this policy? CodeResponseFrequencyPercentage1Insurance from Ins. Co. 54272Agent80403Broker5125. 54Others157. 5

### Interpretation

From the above figure we can clearly see that Majority of customers are purchasing Insurance from Agents i. e. 40%. So Agents Are playing major role in Insurance sector. However, 27% of the customers purchase Insurance directly from Insurance co. Also 25% of the customers purchase insurance from Brokers. So we can conclude that Agents have good future than others. Q(ii). In the case, if you have purchased the policy through agent/broker, was the concept of free look period clearly explained to you? CodeResponseFrequencyPercentage0Yes6532. 51No13567. 5

### Interpretation

As we can see from the above data that Only 32% of the customer agrees with the fact that the concept of freelook period was explained to them by agents when they purchased the policy rest 68% believes that concept of

freelook period was not explained to them when they purchased the policy.

Q. 4 For how long you have been using these insurance policies/products?

Code	Response	Frequency	Percentage
1	Less than 6 months	422	21.26
2	6 months to 1 year	562	28.31
3	1 year to 2 years	542	27.4
4	More than 2 years	482	24

## Interpretation

We can observe that 28% of the total population of customers have been using there earlier mentioned insurance policies from 6 months to 1 year.

We can observe that 27% of the total population of customers have been using there earlier mentioned insurance policies from 1 year to 2 year. We can observe that 24% of the total population of customers have been using there earlier mentioned insurance policies from More than 2 years. We can observe that only 21% of the total population of customers have been using there earlier mentioned insurance policies for Less than 6 months. Q. 5.

Company representative explained all the terms, conditions and exclusions in the insurance policy completely?

Code	Response	Frequency	Percentage
1	Strongly Agree	261	32
2	Agree	562	28.3
3	Neutral	643	32.4
4	Disagree	311	15.5
5	Strongly Disagree	23	1.5

## Interpretation

Of all the companies, 28% very strongly agreed that they had a very clear understanding of the terms, conditions, warranties and exclusions of their policies as they were very clearly explained to them. But the majority, which is 32% of the customers, suggested that they were Neutral with the fact that the terms, conditions, warranties and exclusions were explain well to them with respect to their insurance policies. Rest 13% of the customers agreed to

<https://assignbuster.com/the-effectiveness-of-freelook-period-finance-essay/>

the fact that they were explain well about terms, conditions, warranties and exclusions of their policies. And atleast 15% Disagree and 12% Strongly Disagree that they had clear understanding. Q. 6 Do you know the concept of free look period in Insurance?

CodeResponseFrequencyPercentage1Yes60302No14070

## Interpretation

Of all the customers only30% of the customers know about the concept of freelook period rest others dont know about the concept of freelook period.

.

## Response

**10 days**

**15 days**

**30 days**

**5 days**

**No idea**

**Row Total**

**Yes**

05109060

**No**

21025391140

**Column Total**

2151251291200Expected Frequency: Prefrence

**10 days****15 days****30 days****5 days****No idea****Row Total**

Response	Frequency	Percentage
Yes	6.315.37.53.627.3	14.735.717.58.463.7
No	14.735.717.58.463.7	Total of column
	20006.3-	
	6.339.696.35115.335.71274.4983.307.5-7.556.257.593.65.429.168.	
	1027.3-27.3745.2927.32114.76.339.692.7035.7-35.71274.4935.	
	72517.57.556.253.2142938.4-5.429.163.471439163.727.3745.2911.	
	7189.28572=189.28572	Degree of freedom = (R-1)*(C-1)= (2-1)*(5-1)= (1)
	(4)= 4D. o. F at 95% confidence level= 9.488	Q. 7 What is the maximum
	time for utilizing the free look period?	
	CodeResponseFrequencyPercentage	
	110 days2110.5215 days5125.5330	
	days2512.545 days1265No idea9145.5	

## Interpretation

From the above Data we can clearly see that majority of the customers don't have knowledge about the option of Freelook period i. e. figure is up to 46%.

Views of the 25% of the customers had good understanding about the

Freelook period as they opted for 15 days. Remaining customers thinks that

maximum time for utilizing Freelook period is 30 days or 5 days. Q. 8 What

was the source of your knowledge about free look period?

Response	Frequency	Percentage
Insurance	1	
agent	120602	
Newspaper	2512.53	
Broker	3517.54	
Others	2010	

## **Interpretation**

Out of the respondents we can see that 60% of the customers were informed about the Free look period through Insurance agents. However 18% of them were informed about the Free look period through Brokers while others believe that their source of knowledge about Free look period is through other means like newspapers. Internet etc. Q. 9 Have u ever used " Free look period" for cancellation of policy?

Code	Response	Frequency	Percentage
1	Yes	41	20.5
2	No	159	79.5

## **Interpretation**

Majority of the customers have not utilize the option of Free look period i. e. the figure went upto 80%. Only 20% of the customers have utilize the option of freelook period out of the sample size of 200.

## **5. 1. Hypotheses of the Study**

Ho (Null Hypothesis): The free look period has not helped in creating a customer oriented market. H1 (Alternate Hypothesis): The free look period has helped in creating a customer oriented market.



**Observed Frequency (fo):****Very Beneficial****Beneficial****Average****Less Beneficial****Not Beneficial****Row Total****Persons Who used Free Look Period**

1432901

**130****Persons Who never used Free Look Period**

161913492

**70****Column Total****30****51****22****4****93****200****Expected Frequency (fe):**

$$fe = 200/10 = 20$$

**Calculation Of Chi-Square (x2) :****Fo****fe****fo-fe****(fo-fe)<sup>2</sup>****(fo-fe)<sup>2</sup>/fe**

1420-6361. 8

3220121447. 2

920-111216. 05

020-2040020

120-1936118. 05

1620-4160. 8

1920-110. 05

1320-7492. 45420-1625612. 89220725184259. 2

**Total**

**200**

**200**

**0**

**6568**

**328. 4**

**Degree of freedom= (r-1)(C-1)**

**= (2-1) (5-1) = 1\*4 = 4**

**The table value of  $\chi^2$  for 4 degree of freedom at 5% level of confidence is 9. 488.**

**The calculated value of  $\chi^2$  for 4 degree of freedom at 5% level of confidence is 328. 4 which is greater than the table value.**

**Hence our null hypothesis gets rejected, and alternate hypothesis is accepted.**

Q. 10 What was the reason for your cancelling the policy?

CodeResponseFrequencyPercentage1The product was not according to my need. 1524. 392Some of the important conditions were not explained by the agent. 1936. 583The product promised and product delivered were different. 714. 634Non delivery of the policy document1024. 39

## **Interpretation**

As we can see from the above data that the main reason for cancellation of policy by the customer was that some of the important conditions was not explained by the agent i. e figure went upto 46%. Second reason was that

the product was not according to the need of the customers i. e figure went upto 37%. Last but not least the product promised and product delivered were different i. e figure was 17%. Q. 11 How do you rate the option of "Free-look Period" for a customer? CodeResponseFrequencyPercentage1Very Beneficial1536. 582Beneficial1126. 893Average1126. 824Very Less Beneficial005Not Beneficial49. 75

## Interpretation

Of all the customers, 36% of them indicated that the option of Freelook period was Very Beneficial to them . 27% of the customers thinks that the option of Free look period was Beneficial as well as Average to them. 10% feels that it was not beneficial to them . Hence it suggests that almost 63% of the total customers believe that option of Free look period was good to them.

## FINDINGS

The research which is conducted lead to many findings:- The most important thing to note in this analysis is that 100% of the companies have taken some kind of Insurance which is a very positive sign for the Insurance Industry. The leading portfolio remains to be the Endowment plan policy. Term insurance plan, Health Insurance and ULIPS are popular as well. Majority of the customers like to approach the insurance company through Agents so there is Positive sign for Agents in the Insurance Industry. Majority of the customers are using this Insurance products from period of 6 months-1 year and for More than 1 year. The most important finding in this report is the lack of awareness of Freelook period as we can see from the above data that only 30% of the customers have basic knowledge about Freelook period rest

<https://assignbuster.com/the-effectiveness-of-freelook-period-finance-essay/>

70% of the customers don't know about the concept of freelook period so companies should focus more on their promotional activities by giving advertising and other promotions about the Freelook period in order to create awareness among the customers. Also if we see the above interpretation most of the customers were not told about the Freelook period when they purchased the policy through agents and brokers so Agents are not following their norms and duties well as they are not disclosing all the material facts to the customers. Most of them are of the thought that the option of Freelook period was very beneficial to them as it is a best way to stop Misselling in Life Insurance policies and Health Insurance policies. The main reason for cancellation of policy by the customers was that some of the important conditions was not explained to them by agents and others. So we can say that Agents and other parties are hiding some of the basic information from the customers.

## **CONCLUSION**

With the help of above research and findings it may be concluded that the freelook period of insurance is not known to everyone. Thus companies have a role to play as a initiator for providing knowledge and awareness to customers on freelook period at the time of taking the policy itself and look for their prospective buyer. Freelook period is an integral part of Insurance Industry as it plays a very important role in today's scenario. Freelook period today has become a very impotant tool for controlling mis-selling in the Insurance. This 15 days period is very effective as it gives the customers choice to return the policy within the period mentioned above . It is a good tool for protecting the policyholders interest as from the above research we

can say that consumers don't have proper knowledge about the option of freelook period there is lack of awareness among the consumers regarding the concept of freelook period. Also agents are also not performing their duty well as they are not informing the customers fully about all the conditions of the policy i. e Free look period and all other exclusions. From the above research We can conclude that option of freelook period was very beneficial to the customers.