A STUDY ON CONSUMER PROTECTION IN PACL WITH SPECIAL REFERENCE TO INSURANCE IN CUDDALORE DISTRICT

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ABSTRACT

This study primarily reveals about the consumer protection in insurance sector with reference to the leading corporate agency (PACL Insurance Service Limited) of Max New York Life Company Limited. The major objectives of this study are: Transparency and Understandability of information provided by PACL, the Claims Procedure of PACL, To examine the Service Offered and product sales of PACL. The major findings of this research study are: most of the respondents are, about PACL by their friends / relatives, have launched complaint regarding shortage in services, having Annual Income below one lakh. The major suggestions of this research study are: terms of condition must be in understandable way. Since, most of the consumers are Agriculture and have their Education upto School level only, must give training to the Agents because most of the customer said that they found shortages regarding improper guidance of Agent. The researcher found that overall consumer protection was satisfied. The company tries it best to offer better service. However further improvements as per suggestions will yield effective results.

Keywords: Consumer protection, service quality, ombudsman, redressal, Corporate agent.

Introduction:

Insurance sector in India is one of the booming sectors of the economy and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country's GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long- term funds for infrastructure development at the same time strengthening the risk taking ability of the country. Currently, the insurance sector size is estimated at Rs.500 billion. India's life insurance premium, as a percentage of GDP is 1.8%.

In order to promote and protect the rights and interests of consumers, quasi judicial machinery is sought to be set up at district, state and central levels. These quasi judicial bodies have to observe the principles of natural justice and have been empowered to give reliefs, of specific nature and also to impose penalties for non compliance of the orders given by such bodies.

A unit-linked insurance plan (ULIP) is a type of life insurance where the cash value of a policy varies according to the current net asset value of the underlying investment assets. It allows protection and flexibility in investment, which are not present in other types of life insurance such as whole life policies. The premium paid is used to purchase units in investment assets chosen by the policyholder.

Traditional insurance plans, which include term, endowment and whole life policies, offer multiple benefits in terms of risk cover, return, safety and tax benefit. Traditional policies are considered risk-free, as they provide fixed income returns in case of death or maturity of the policy. Investment guidelines also ensure safety of funds with a cap on equity investment.

Pacl India Limited was incorporated on 13th February 1996 with the registrar of companies, Jaipur, under companies Act 1956 having its registered office 22nd, 3rd floor, Ambur tower, Sansar Chand road Jaipur-302 004 and corporate

office are 7th floor, Gopaldas Bhawan, 28, Baraknamba road, New Delhi-110001.The PACL is popularly known with its brand name "Pearls"

Products:

- PACL Insurance Service Limited (PISL)
- Real estate
- Tourism
- Agriculture
- Oceanique (resort).

PACL Insurance Service Limited (PISL):

- PACL Insurance service Ltd., (PISL) was incorporated on 14th may, 2001 in Jaipur with the avowed object of prompting insurance business
- PISL is a corporate agent of Max New York Life Insurance Corporation Limited.
- PISL is a committed services organization, which along with Max New York Life Insurance Corporation Limited has jointly ventured into marketing of insurance products all over India.

Max New York Life Insurance Company Ltd. is a joint venture between Max India Limited, one of India's leading multi-business corporations and New York Life International, the international arm of New York Life, a Fortune 100 company. The company has positioned itself on the quality platform. In line with its vision to be the most admired life insurance company in India, it has developed a strong corporate governance model based on the core values of excellence, honesty, knowledge, caring, Integrity and teamwork.

Products of Max New York Life Insurance Limited:

- Life plan
- Growth plan
- Child plan
- Health plan
- Retirement plan

Problem Definition:

Life Insurance has never been a product that buyers clamored for. It was a product that was pushed often by a neighbourhood friend, who joined as an Agent to raise his family income. Those Agents marketed Insurance as a tax saving tool with the hint of some money coming back to you after a few years. This is still now continuing in market. Because of this only sales of industry are raising in March every year. More recently in the last four years only Insurance are sold through ULIPs. ULIP promise a good investment returns in line with Stock Market rally.

The core of insurance product is the protection element that offers a hedge against uncertainty caused by loss of life of the breadwinner. In most developed markets customers possess an average of 3 to 5 policies. Here in India, it is rare customers who possess more than one. Most are underinsured and so much of population is untapped. The reason behind this untapped potential is perhaps the existing distribution model that is still predominately agent led. There are 3million or more agents in India at present. Insurance is a Universal product. Universal product exists when customers taste and preferences are identical. Ordinary layman to billionaires for various reasons. This research is to analyze the need for Consumer Protection in Insurance market.

Objectives of The Study:

- A study on Consumer Protection in PACL with special reference to insurance in Cuddalore District.
- To know about Transparency of information provided by PACL.
- To analyse the Understandability of information provided by PACL.
- To analyse the Claims Procedure of PACL.
- To examine the Service Offered by PACL.
- To study the Products Sales Procedure of PACL.

Literature Review:

Consumer Protection Act, 1986:

(Source: Akhileshwar Pathak, Legal Aspects Of Business, MC Graw Hill, 4th Edition-2010 and http://chdconsumercourt.gov.in/ConsumerProtectionAct.pdf) Consumers play a vital role in the economic system of a nation because in the absence of effective demand that emanates from them, the economy virtually collapses. Mahatma Gandhi said, "A consumer is the most important visitor on our premises. He is not dependent on us, we are on him. He is not an interruption to our work, he is the purpose of it. We are not doing a favour to a consumer by giving him an opportunity. He is doing us a favour by giving us opportunity to serve him. But, of late, unfortunately cheating by way of overcharging, black marketing, misleading advertisements, etc has become the common practice of greedy sellers and manufacturers to make unreasonable profits. In this context, it is the duty of the government to confer some rights on consumers to safeguard their interests.

The Consumer Protection Act 1986 is a social welfare legislation which was enacted as a result of widespread consumer protection movement. The main object of the legislature in the enactment of this act is to provide for the better protection of the interests of the consumer and to make provisions for establishment of consumer councils and other authorities for settlement of consumer disputes and matter therewith connected.

In order to promote and protect the rights and interests of consumers, quasi judicial machinery is sought to be set up at district, state and central levels. These quasi judicial bodies have to observe the principles of natural justice and have been empowered to give reliefs, of specific nature and also to impose penalties for non compliance of the orders given by such bodies.

The main object of these bodies is to provide speedy and simple redressal to consumer disputes. It is one of the benevolent pieces of legislation intended to protect the consumers at large from exploitation.

Service means service of any description which is made available to potential users and includes the provision of facilities in connection with banking, financing, insurance, transport, processing, supply of electrical or other energy board or lodging or both, entertainment, amusement or the purveying of news or other information, but does include the rendering of any service free of charge or under a contract of personal service.

Unfair trade practice under Section 2(1) (r) means a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provision of any service, adopts any unfair method or unfair or deceptive practice including any of any of the following practices, namely:

The practice of making any statement, whether orally or in writing or by visible representation which, (i) Falsely represent that the goods are of a particular standard quality, quantity, grade, composition, style or model: (ii) Falsely represent that the service are of a particular standard, quality or grade.

Restrictive trade practice under Section 2(1) means any trade practice which requires a consumer to buy, hire or avail of any goods or, as the case may be service as a condition precedent for buying, hiring or availing of other goods or services.

Complainant under Section 2 (1) (b)

  (i)   A consumer; or
  (ii) Any voluntary consumer association registered under the companies act,1956   (1 of 1956) or under any other law for the time being in force; or
  (iii) The central government or any state government;
  (iv) One or more consumer, where there are numerous consumers having the same interest.

Who or which makes a complaint

(Source:S.A.Sherlekar, Marketing Management, Himalaya Publishing House, and 13th Edition – 2007)

Complaint means any allegation in writing made by a complainant in regard to one or more of the following

  • An unfair trade practice or a restrictive trade practice has been adopted by any trade
  • The goods bought by him or agreed to be bought by him suffer from one or more defects
  • The service hired or veiled of agreed to be hired or availed by him suffer form deficiency in any respects
  • A trade has charged for the goods mentioned in the complaint a price in excess of the price fixed by or under any law for the time being in force or displayed on the goods or any package containing such goods
  • Goods which will be hazardous to life and safety when used, are being offered for sale to the public in contravention of provisions of any law for the time being in force requiring traders to display information in regarding to the contents, manner and effect of use of such goods

Defect under Section 2(1) (f) means any fault, imperfection or shortcoming in the quality, quantity, potency, purity or standard which is required to be maintained by or under any law for the time being in force or under any contract, express or implied or as is claimed by the trader in any manner what's over in relation to any goods.

Deficiency means any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force or has been undertaken to be performed by a person in purchase of a contract or otherwise in relation to any service.

  • The act applies to all goods and service unless specifically exempted by the central government.
  • It covers the entire sector whether privet, public or co-operative.
  • The provisions of the act are   compensatory in nature.

Financial Markets and The Need For Consumer Protection:

(Source: Rodney Lester, Consumer Protection Insurance, Non-bank financial institutions group, global capital markets, development department financial and private sector development. Vice presidency primer series on insurance, Issue 7, august 2009)

Each year the global economy adds an estimated 150 million new consumers of financial services. Most are in developing countries, where consumer protection and financial literacy are still in their infancy. Protecting the interests of consumers has become an important component of sound and competitive financial markets.

Consumer Protection Regime:

The law should provide for clear rules on consumer protection in the area of insurance, and there must be adequate institutional arrangements for implementation and enforcement of consumer protection rules.

  • There should be specific provisions in the law, which create an effective regime for the protection of retail consumers of insurance.
  • The rules should prioritize a role for the private sector, including voluntary consumer protection organizations and self-regulatory organizations.

Methodology:

Research Design:

It is the basic framework, which provides the guidelines for the research. The research design specifies the methods for data collection and data analysis.

Research Type:

The researcher use Descriptive Research for this study. Describe a single event or characteristic through distribution or may try to relate a few events or variables through statistical analysis.

Population:

Population refers to the entire group of people, events, items or things of interest that the researcher wishes to investigate.
The population of the study to analyze consumer protection in PACL with special reference to insurance in Cuddalore District is above 48000 approximately.

Sampling Method:

The researcher use Convenience sampling to collect sample

Sample Size:

Due to time and resource constraints the sampling size of 75 are selected for the survey from the PACL customer for the analysis of consumer protection in Cuddalore District, in consultant with project guide.

Type Of Data:

Both the primary and secondary data are used for collection of data for the study of consumer protection in PACL.

Primary Data:

The primary data was collected from customers of PACL through a structured questionnaire. The questionnaire consists of a number of questions printed in a definite order or set of forms.

Secondary Data:

The secondary data are collected from Journals, Articles, IRDA annual report (2010), Economy watch, Books and other websites.\

Tools Used For Analysis:

 The collected data using the printed questionnaire are analyzed using the statistical tools like Chi-square, Correlation, Weighted Average Method and Percentage Analysis.

Results:

To analyze the significant relationship between Educational Qualification of the respondents and the reason for preferring PACL.
Calculated value $= \sum (O-E)^2 /E$ $= 10.23$
Degrees of freedom $= (r-1) (c-1) = (5-1) (5-1) = 16$
Tabulated value for16 d.f @ 5 % level of significance is 26.296.
Calculated value is lesser than tabulated value at 5% significance level.
Since, $10.23 < 26.296$ .Therefore, null hypothesis (Ho) is accepted.

Inference:

There is no significance relationship between Educational Qualification of the Respondents and their preference for PACL.

To analyze the significant relationship between Educational Qualification of the respondents and their satisfaction level regarding the Service Offered by PACL
Calculated value   = $\sum (O-E)^2 /E =$ 6.56
Degrees of freedom $= (r-1) (c-1) = (5-1) (5-1) = 16$
Tabulated value for16 d.f @ 5 % level of significance is 26.296.
Calculated value is lesser than tabulated value at 5% significant level.
Since, $6.56 < 26.296$. Therefore, null hypothesis (Ho) is accepted.

Inference:

There is no significance relationship between Educational Qualification of the
Respondents and their satisfaction level regarding the service offered by PACL.

Analysis of opinion of respondents regarding the information provided by the agent and the satisfaction level of respondents regarding the service offered by PACL using correlation method.
$r = 0.910$
Co-efficient of correlation (r) r = 0.910.

Inference:

From this table co-efficient of correlation (r) is calculated as 0.910 which is almost nearer to 1, it means that both the variables are strongly correlated. Here the information provided by the agent and the Satisfaction level of respondents regarding the Service Offered by PACL is strongly related.
Analysis of ranking given by respondent regarding Understandability of Information, Transparency of Information, Time of Maturity, Claims and Settlements and Grievance Redressal using weighted average method

Inference:

This is inferred that the respondents ranks Transparency of Information As First, and Grievance Redressal as Last.

Table
Table Name: Rank Table

RANK	FACTORS
1	Transparency of Information
2	Understandability of Iinformation
3	Time of Maturity
4	Claims and Settlements
5	Grievance Redressal

Reason For Investing In Insurance:

Inference:

From the above table it is inferred that 32% of respondents are made investment for their saving and security, 21.3% of respondents are invest for their future benefit,17.3% of respondents are invest for their tax consideration,16% of respondents are invest for other benefit and 13.4% of respondents are invest for their medical benefit.

Reason for preferring PACL
Inference:

From the above table it is inferred that 33.3% of respondents prefer PACL because of low premium, 25.45% of respondents prefer PACL because of variety of schemes, 21.3% of respondents prefer PACL because of easily accessible, 18.7% of respondents prefer PACL because of easy procedure and 1.3% of respondents prefer PACL because of other reasons.

Understandability of terms and Conditions of PACL
Inference:

From the above table it is inferred that 36% of respondents gave neutral opinion, 34.7% of respondents are agreed, 20% of respondents are strongly agreed, 9.3% of respondents are disagreed and 0% of respondents are strongly disagreed with the understandability of terms and conditions of PACL.

Transparency of information provided By PACL
Inference:

From the above table it is inferred that 45.3% are satisfied, 28% gave neutral opinion, 16% are highly satisfied, 10.7% are dissatisfied and 0% are highly dissatisfied with the transparency of information provided by PACL.

Details of PACL policy Claims and Settlement, Time of Maturity
Inference:

From the above table it is inferred that 33.3% of respondents are agreed, 30.7% of respondents gave neutral opinion, 21.3% of respondents are strongly agreed, 14.7% of respondents are disagreed and 0% of respondents are strongly disagreed with details of PACL policy claims and settlement, time of maturity.

Satisfaction level regarding Redressal for shortages
Inference:

From the above table it is inferred that 36% of respondents gave neutral opinion, 24% of respondents are dissatisfied, 22.7% of respondents are satisfied, 17.3% were highly satisfied, and 0% of respondents are highly dissatisfied with PACL Grievance Redressal for shortages.

Satisfaction level regarding the Service Offered by PACL
Inference:

The Table shows that 30.7% of respondents are satisfied, 30.7% of respondents gave neutral opinion, 20% of respondents are dissatisfied, 18.7% of respondents are highly satisfied and 0% of respondents are highly dissatisfied with the service offered by PACL.

Findings:

The followings are the ascertained statements from the study

- 54.7% of the respondents are male.
- 38.7% of the respondents are belongs to the Age group upto 40.
- 41.4% of respondents have passed School level.
- 40% of respondents are belongs to Agriculture.
- 73.3% of respondents are having Annual Income below one lakh.
- 32% of respondents invest in Insurance for saving and security.
- 53.3% of respondents knew about PACL by their friends / relatives.
- 33.3% of respondents prefer PACL because of low premium.
- 36% of respondents are gave no opinion to the Understandability of Terms and Conditions.
- 45.3% of respondents are satisfied with the Transparency of information.
- 33.3% of respondents are agreed that the agent gave proper information regarding the policy taken by the consumer.
- 44% of respondents are satisfied with the method of their premium payment.
- 33.3% of respondents are agreed that they knew about the details of PACL policy claims and settlement, the time of maturity.
- 30.7% of respondents are found shortages regarding improper guidance of the agent.
- 100% of respondents have launched complaint regarding shortage in services.
- 36% of respondents are gave no opinion to the Grievance Redressal procedure.
- 30.7% of respondents are satisfied with the service offered by PACL.
- From the Chi-Square Analysis I, it is inferred that there is no significance relationship between Educational Qualification of the respondents and the reason for preferring PACL.
- From the Chi-Square Analysis II, it is inferred that there is no significance relationship between Educational Qualification of the respondents and their Satisfaction level regarding the Service Offered by PACL.
- From the Correlation Analysis, it is inferred that the Coefficient of Correlation is 0.910 which is almost nearer to 1.Therefore, the information provided by the Agent and satisfaction level of respondents regarding the Service Offered by PACL are Strongly Correlated.

- From the Weighted Average Analysis it is inferred that the respondent gave First rank to Transparency of information and Last rank to Grievance Redressal provided by PACL.

Suggestion and Recommendations:

The followings are the suggestions and recommendations of the study

- PACL must provide the terms of condition in a better understandable way. Since, most of the consumers are Agriculture and have their Education upto School level only.
- PACL must give training to the Agents because most of the customer said that they found shortages regarding improper guidance of Agent.
- PACL must take better care to reduce the shortage in service which paves way for customer satisfaction.
- There is a strong relation between the information provided by the Agent and the Satisfaction level of respondent regarding the Service Offered by PACL. Even though both are strongly related the company should increase their service for better Satisfaction.
- The company must take necessary steps to Redress the Grievances of consumer with in time (i.e.,) time frame and turnaround time (TAT).
- The company must educate the consumer about their rights and responsibility. Then the consumers can get better service.

Conclusion:

The researcher had undertaken a systematic analysis on consumer protection in PACL with special reference to insurance in Cuddalore District. The researcher found that overall consumer protection was satisfied. The company tries it best to offer better service. However further improvements as per suggestions will yield effective results**.**

The company should provide Education and Awareness about Consumer Protection then the consumers know the need and importance of Consumer Protection in Insurance. The company must provide Training to Agents then they can achieve the required skill for performing efficiently towards Consumer Protection.

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