

## A Study of a Life Insurance Principle 'Utmost Good Faith' and Its Impact on Settlement of Claim.

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**Abstract:** Life insurance is a financial security tool which gives an assertion to the life insured for the protection of the family members in his absence. The organization offers the family with a promised sum of money at the inception of the Contract. Life insurance thus guards ones family from pecuniary catastrophe acting as defensive shield. Life insurance policies also acts as a systematic investment to meet the financial goals that you experience during your lifetime such as buying a new car, getting your children educated or married and ensuring that your post retirement life is the identical to standard of life at his working times. The compensation of losses incurred due to death of the earning member at unexpected time is completed by insurance Companies, the perception of the life assured is that life insurance plans are the proficient gears to provide the monetary support. An Individual who opts for Insurance focuses on the financial protection of his loved ones, analyses the organization in several parameters such as Profitability and Claim Settlement ratio. The study shows impact of the parameter viz Utmost Good faith .The fallacy of the consumers about the life insurance players while settling the death claims is elucidated in the study. The claim Settlement of the proposed insured begins at the time of filling the proposal form, Study reveals the significance of the principle which plays a crucial role in the settlement of the claims.

**Keywords:** Principles of Life insurance, Utmost Good faith, Claim Settlement, life insurance Companies, Underwriting, Consumer Perception.

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### I. Introduction

Life insurance is a reciprocated indulgent amongst the proposed insured and the life insurance organization. In this kind the organization promises to contribute the fiscal provision for the sustainability of the dependents of consumer if he encounters any undesired incident. The organization also agrees to pay the hoarded corpus as the maturity value on the survival of the consumer at the end of the policy term. The consumer pays the organization a calculated amount periodically towards the contract. As far as the observation of the consumer is analysed, the contracted charges should cover the factors of lucrative returns and fortification. The numerous option of speculation available for the consumers offers him the opportunity to cultivate his funds. Life insurance stands detached from all other investments as it offers growth and fortification. The significant benefit of insurance is its character of providing financial support to the family of the consumer in unwanted events like premature death or accidental death.

The phobia of a layman to encounter the prime prerequisites always clatters is healthy mind. The distress of starvation of his dependents and loved ones makes him apprehensive. The spring of revenue will be terminated in his nonexistence. Consequently it becomes obligatory for the earning member him to deliver a substitute cradle of revenue. The prompt development and advancement gives additional assets for his luxury. Hereinafter the security of the assets is again a big challenge in front of him. While purchasing the suitable investment plan the consumer has to focus on the several parameters such as the profits generated by organizations as well as claim settlement ratio. The profit generated by the organization will be accumulated in the investment and will be given as bonus which the consumer will get at the maturity of the policy. Since this benefit will be availed by him makes him little casual. The accidental and natural death benefit is critically focused by the consumer, as the thought chills his bones that the organization may refuse the payment for any silly reason and his non- existence will mark his family with challenges. However the consumer are ignorant that the settlement of the claims wholly depends upon the information filled or given to the consultant in the proposal form. Minor chunk of the population is aware that life insurance also works on suitable principles and these significantly hampers the service delivered by the insurance players . Consequently the brand image of organization is tarnished.

Eventually insurance industry is based on relationship basis, Word of mouth plays a critical role in establishing the brand. Defoliated Services subsides the consumer base and the revenue simultaneously. The Modus operandi of issuing a policy to the proposed insured begins with filling the personal and occupational details of the proposed insured, the details are filled by the proposer or proposed insured himself or by the agent representing the organization. Thereinafter the proposal form is scrutinized by the underwriter and assessment of the risk is carried out in the process. Policy document is send on the corresponding address mentioned by the proposer the Xerox copy of the form is attached in the policy booklet as testimony of acceptance of the proposal.

The principle of utmost good faith represents that all information pertaining to occupation and personal life of the proposed insured is correct and declaration signed by the proposer makes is more evident. It is been observed by many consumers that the claim is rejected by the insurance players as the information furnished by the customer is not relevant and compels the organization to reject the claims as it pretexts breach of contract between the proposed insured/ proposer and insurance players. The study reveals the perception and the awareness of the consumers about the principle of Utmost Good faith.

## **II. Literature Review**

1. Sanjay R. Salute International Journal of Advanced Research in Management and Social Sciences February 2016, Principle Of Utmost Good Faith & Disclosure Clause In Insurance Sector: Perspectives From Dasbodh [ManacheSholk No.19] The researcher reflects the significance of the principle of Utmost Good faith , it is highlighted that this principle not only plays a crucial role in life insurance but it contributes a major chunk in Marine insurance as well
2. Faulkner and Bowman (1997) describes customer satisfaction of buyer in buying as well as use of product. The research proves companies focused on selling of insurance products should educate and update the customers. Providing clear and specific solutions and also answer every query raised by the customers. Meeting the ever changing expectations of the customers as well as ensuring the cost to company is minimized and satisfaction of customer increased.
3. Shejwalker (1989) in the research titled "Training in Life Insurance Marketing" studied how important is the training of the agents' force especially in the development of the life insurance business. He also focused that current method of electing agents for insurance should be changed radically. He expressed his perspective that the private as well as independent institutes should be involved for imparting training to the agents.

## **III. Objectives**

To study the Consumer responsiveness towards private life insurance Companies.

To study the Consumer responsiveness towards principles of life insurance.

To Study the consumer awareness towards Utmost Good faith.

To Study the role of Utmost Good Faith in claim Settlement

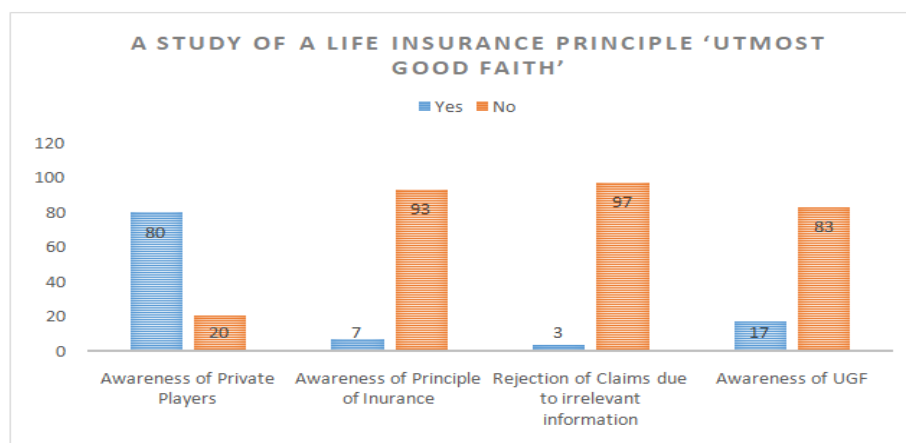
To study the consumer awareness for rejection of claims due to the irrelevant information

## **IV. Research Methodology**

The data is of consumers availing life insurance policies from private companies in Mumbai. The population of the Credit is 1000. 10 percent of the target population ie.100 has been administered, which was corroborate by using sample size formula. The analysis has been conducted on the basis of 100 questionnaires which is duly filled by the respondents. The Secondary data has been collected from the websites of private life insurance Companies.

## **V. Data Analysis**

Based on the responses received from the respondents, the below given analysis has been summarised.



From the above Data analysis it is been interpreted that majority of the population is aware of the private life insurance players i.e. out of 100 respondents 80 respondents are aware of private life insurance players, this is since the private players invest a large share into marketing and advertisement of their products and services. Additionally, the prompt consumer service is a motto of private life insurance organisations. The Word-Of-Mouth publicity significantly increases the awareness of companies amongst the people.

Additionally it has been found that 93% of the population is not aware of the principle of Utmost Good faith i.e. Out of 100 respondents 93 respondents are not aware of the principle of Utmost Good faith while only 7% of the population are aware of the same. This is because no-where in the advertisements it is being displayed that the information delivered or the information shared with the agent plays a critical role in the settlement of claims. The data analysis also shows that only 3% of the population knows that claims got rejected due to wrong information submitted i.e. 97% people are ignorant that due to irrelevant information claims get rejected. This is since the people lack the knowledge about various principles of insurance and mostly about the principle of Utmost Good Faith where consumer has to share the relevant information so that the claims are settled smoothly consequently it has been found that the awareness amongst individuals regarding the principle of 'Utmost Good Faith' has been found to be very less wherein 83% of individuals have found to be unaware of the principle of UGF and out of which only 17% of individuals have been found to know or heard about the principle of 'Utmost Good Faith'.

## VI. Conclusion

The overall study of the consumer awareness and perception reveals that the majority of the population is not aware that the claims get rejected due to irrelevant information however they are also ignorant about the principle of 'Utmost Good Faith', therefore the core responsibility of the consumer is to provide with the correct information to the insurance agents while filling the proposal form. The detailed study of "A study of Consumer awareness and Perception of "Utmost Good faith" a significant principle of Life Insurance in Settling Natural and Accidental death Claims " recommends that it is moral duty of insurance / financial advisors to educate and inform the proposers about the principle and its impact on the claim settlement.

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