CHAPTER - II

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This chapter illustrates the review of available literature relating to customers attitude towards life insurance services and studies that have been undertaken in India and foreign countries. This chapter has directed to proceed well with the research work concerned.

Belth (1966) suggested that the inability of consumers to make price comparisons in life insurance markets explains the persistence of substantial variation in prices of similar life insurance products.  

Lanchester and Kelvin J. (1966) highlighted that demanders buy groups of features rather than products, their opinions regarding the similarity of products must also be determined by features. Research into purchasing patterns indicates that it is not the objective features (tangible or technical attributes) themselves, but rather the subjective perception of these that determines consumer choice.

Gordon Wills (1967) proposed concentrating solely on custom building, as this is the area of major growth in the life assurance business. The author demonstrated how the well-known techniques of product concept testing can be applied in a service industry when mass marketing is contemplated. Delves into a study conducted in spring 1967 in Bradford, UK, involving 40 households, where the head was between 18 and 25 years of age. Reported on the questionnaire survey covered a range of disbursement analyses, other than those specifically concerned with life assurance proposals.
Concluded that the general conclusion is that the market segmentation implicit in straight life assurance and endowment assurance is meaningful, and that the conversion policy is the most effective way of straddling the two segments, to ensure brand loyalty once contact has been converted into first business.  

**Fortune (1973)** built a model to examine the determinants of the optimal amount of life insurance. It is attempted to link life insurance demand analysis to the wealth of households. Moreover it is recognized that life insurance may be a substitute for financial assets such as lower risk assets in the household portfolio.  

**Headen and Lee (1974)** advocated that ordinary life insurance (whole life insurance) can be considered as an indirect investment in securities that could be competitive in the short-run with alternatives in the household financial asset portfolio. They used data from 1957-1971 provided by both the Federal Reserve's flow of funds and A.M. Best Company. Using these data, they built a cost model to estimate the effect of the household portfolio on ordinary life insurance demand. They did not find strong evidence of a relationship between ordinary life insurance demand and other alternative financial assets. The result indicated that low-asset households tend to view ordinary life insurance as an alternative investment asset.  

**Mehr and Cammack (1976)** agreed that insurance is usually thought of as a product that spreads the risk of serious, but low-probability, losses among a group of individuals, thus providing some financial protection to each individual.
Hill (1977) argued that “goods and services belong in different logical categories.” It is focused on the fact that producers cannot accumulate stock or inventory of services, stressing that services must be consumed as they are produced unlike the goods that can be produced and then stored. This makes it essential for the user and the provider of the service to interact. But subsequent to this conceptualization there have been many studies that point out that Hill’s definition simply relates to contact services and that there exists a range of services which do permit a separation (in space as well as in time) of the location of production and consumption, so that service trade may take place either at the factor or at the product level.2.7

Lichtenstein et al. (1978) highlighted that people underestimate mortality risks from likely causes of death and overestimate mortality risks from unlikely causes of death. In related research, studies have found that people overestimate highly publicized risks.2.8

Kunreuther (1979) said that his product makes good sense, particularly when the protection is purchased against potential losses so large as to be catastrophic, such as total destruction of one’s home, a large accident liability judgment, or death of primary family breadwinner. However, it has long been recognized that this sensible product is difficult to sell.2.9

Kahneman & Tversky (1979) reported a risk-averse individual, therefore, should avoid nearly all types of risk. Empirical evidence suggested most people are risk averse for gains and risk seeking for losses.2.10
Cowel D.W (1980) highlighted the scope and the content of marketing and to explore the nature of the marketing of services as distinct from the marketing of products. In fulfilling both these objectives the study provides a background for other contributions in this collection dealing with a variety of marketing of financial services examples and situations.²¹¹

Dorfman (1980) observes that even though life insurance industry engages in product innovation, the market for life insurance appears to have a serious weakness in that not many new improvements have been forthcoming in recent years. Some of the areas of deficiencies include lack of copyright protection for life products, regulatory opposition, consumer and salesmen’s attitudes.²¹²

Angell (1981) suggested that though cash value life insurance has a saving element, the insured should keep in mind that the fundamental purpose of life insurance is to provide financial protection for the family. The saving and investment purpose of cash value life insurance is usually a secondary concern. She suggested that when families have sufficient money left over, cash value life insurance can be purchased as an investment, after all other tax advantage saving vehicles have been exhausted.²¹³

Roger A. Formisano (1981) examined a substantial portion of the insurance buyers sampled did not become aware of the provisions of the regulation aimed to improve their buying ability. Further, many life insurance buyers were not well informed concerning the nature and operation of life insurance contracts, and in particular, the life insurance policies that they had purchased.²¹⁴
Michael L. Smith (1982) said that a typical life insurance contract provides a package of options or rights to the policy owner that is not precisely duplicated by any other combination of commonly available contracts. Life insurance enjoys a unique position in the field of investments and should be judged in this light. He provided a complete explanation of policy owner behavior towards life insurance than the conventional savings-and-protection view.\textsuperscript{2,15}

Richens (1983) suggested that satisfied customers are likely to engage in positive word of mouth and try line extensions. Satisfaction is an important component of the total package of value required by customers. An Islamic bank can also use images of its caring employees. Employees are a significant part of the service delivery process and play a significant role in company customer interaction. Furthermore, an Islamic bank can promote its products using physical evidence in its promotional material about most of facilities provided by Islamic banks.\textsuperscript{2,16}

John A. Tomenson, Iain K. Crombie and Philip H. N. Wood (1984) suggested in “Insurance and the disabled” that the provision of life insurance for the disabled has been investigated to determine the extent to which the perceived disadvantage expressed by some disabled group insurance and the disabled was real and justified. Life cover for a particular disability is likely to be offered only by the few companies with experience of it; however, the ratings charged appear usually to be a fair reflection of the limited and often poor information available. The response of organizations for the disabled to this problem has been reviewed, and possible strategies to enable the disabled to obtain insurance are suggested.\textsuperscript{2,17}
Skinner and Dubinsky (1984) observed that by providing payment in the event of unexpected losses, insurance introduces security into personal and business situation. It also serves as a basis of credit as no financial institution would lend money for purchase of capital goods. The main study of attitude and perception of life insurance policyholders have largely focused on factors predicting this attitude. They also found out that employment status of the wife and education of the husband discriminate mostly between which family member(s) is responsible for insurance purchasing decision. Other significant variables include wife’s educational level, husband’s employment status, family income, and husband’s occupation.

Bhagwati (1985) argued that services for which physical proximity is inessential, i.e., the long distance services, are on a rise due to technical progress, e.g., banking and insurance. However, unlike in the case of goods where factor mobility and trade are distinct phenomena, in the case of services the distinction vanishes as factor mobility and trade in services are two integral aspects of service transaction.

Michael L. Walden (1985) highlighted that the option’s package view of the whole life insurance policy highlighted that a whole life policy is a package of options, each of which has value and is expected to influence the price of the policy. This viewpoint implies the general hypothesis that price differences between whole life policies can be explained by differences in policy contract provisions and differences in selected company characteristics. The option’s package theory was empirically investigated using regression analysis on data from a sample of policies marketed in North Carolina. The results suggested support for the options package theory.
D'Arcy and Lee (1986) believed that despite expense loadings and surrender charges on variable universal life policies, the tax treatment within these policies often produced a greater after tax return than alternative investment strategies. The longer the policy is kept in force, the more significant the tax advantage of life insurance policies, as compared with other investments. They compared variable universal life insurance with other alternative investments including purchasing term insurance and investing the difference in money market funds, bond funds, equity funds, deferred annuities, municipal bond funds, or through an individual retirement account.\textsuperscript{221}

Michael Beenstock, Gerry Dickinson and Sajay Khajuria (1986) developed a theoretical model in which the supply and demand for life assurance is determined by various economic and social variables. The implications of this model for the determination of premium income are investigated empirically by pooling cross-section and time series data for ten industrialized countries over the period 1970-1981. They found that life assurance premiums vary directly with life expectancy, the age of distribution of the population, the dependency ratio, interest rates and income, but vary inversely with social security coverage. The results indicated the importance of distinguishing between single and regular premiums but the data prevent from taking this adequate into account.\textsuperscript{222}

Cherin and Hutchins (1987) computed the internal rate of return for 60 Universal life policies. For all cases, the internal rate of return fell below the rate of return advertised by the insurers.
Using a present value model, they found high mortality charges and expense charges explained the difference between the computed rate of return and the current quoted interest rate. They concluded that despite the tax advantages of UL, the investor would be better off buying term insurance and investing the balance in an alternative investment with no or low expense loads.\textsuperscript{2,23}

\textbf{Oliver and De Sarbo 1988; Tse and Wilton (1988)} suggested that consumers make a comparison between service expectations and performance that will result in either confirmation or disconfirmation. Customers' expectations are confirmed when product or service performance exactly meet expectations. Disconfirmation will be the result of a discrepancy between expectations and performance. Positive disconfirmation occurs when product/service performance exceeds prior expectations, and negative disconfirmation occurs when expectations exceed performance. Confirmation and positive disconfirmation will be likely to result in satisfaction, whereas negative disconfirmation leads to dissatisfaction.\textsuperscript{2,24}

\textbf{Barbara R. Lewis (1989)} highlighted that the quality of service and customer care in the context of the marketing of services are considered. He focused on the distinguishing characteristics of services, the use of consumer research assessing expectations of and satisfaction with service quality providing examples from a variety of organizations. Particular attention is given to the interpersonal interactions between contact personnel in service companies and customers, and the need for internal marketing, a consumer orientation, and the consequent provision of customer care, with reference to a number of examples in the tourism and finance service sectors.\textsuperscript{2,25}
Jay U. Sterling, Douglas M. Lambert (1989) highlighted that although significant advances have been made in customer service research, a majority of this research has concentrated on defining and measuring the importance of customer service in isolation from the other components of the marketing mix. In order to achieve a competitive advantage from customer service, it is necessary to establish service levels as part of the firm's overall marketing strategy. This monograph reviews the development of customer service; evaluates past customer service research; presents a methodology for integrating customer service and marketing strategy, and provides some suggestions for future research.\textsuperscript{26}

Rory Chase (1989) suggested that by incorporating the principles of TQM from the outset, State Farm Insurance has achieved a leadership position in its industry. They study examines State Farm's has "good neighbor" approach to service. Asserts that the company's management philosophy is simple; total commitment to the policyholder. It contends that agents are the key. He concluded by describing how the trainee agents become independent contractors working with other agents and the agency manager.\textsuperscript{27}

Adelmann (1990) summarized the whole life insurance was compared with an annuity. An annuity is the opposite of life insurance. Life insurance protects against the risk of dying too soon. In contrast, an annuity protects against the risk of living too long and provides a lifetime income. He pointed out that the tax treatment of withdrawal is different between variable annuities and variable life insurance.
Those who borrow from a variable annuity are subject to income tax and a 10 percent penalty before age 59.5, whereas borrowing from VL is free of tax. He suggested that a young investor with more debts and responsibilities should buy the VL because of the higher death benefit feature. An older investor with more assets can get a higher return by purchasing an annuity.²²⁸

Christopher Easingwood and David C. Arnott (1991) highlighted the areas of marketing in the financial services sector that deserve to be given priority attention. A number of marketing areas are identified and assessed on their scope for improvement, the ease with which they can be changed and also on the sensitivity of the performance of the organization to an improvement in the area. The perspective is that of senior financial services marketing managers. The managers picked out pricing policy as one factor deserving to be given the highest priority. Improvements here are possible and, in addition, will show up in better company performance. Two other factors considered to be worth priority attention are the customer interface and marketing influence, although both are thought to be more difficult to change than pricing policy. Improvements in the new product development strategy area, whilst likely to produce significant improvements in company performance, were the hardest of all to achieve.²²⁹

Bowen and Lawler (1992) summarized the advantages of empowerment as follows: Quicker on line reposes to customer needs during service delivery; quicker on line responses to dissatisfied customers during service recovery; employees will interact with customers with more warmth and enthusiasm; empowered employees can be a great source of service ideas; and finally; great word of mouth advertising and customer retention.²³⁰
Osoka (1992) highlighted the prevalence of confusion among insurance marketers between selling and marketing. He specified while selling is concerned with creating demand for the products that have already been decided, marketing is directed towards identifying the needs and wants of consumers and planning to satisfy those needs. Hence, the necessity of understanding the needs and wants of consumers to marketing could be likening to the bone, the tendon, and the ligament of businesses without which no articulation can take place.²³¹

Anne M. Smith, Barbara R. Lewis (1993) emphasized that the findings are presented from an investigation of customer care in major UK organizations in the financial services sector, to include banks and insurance companies. Attention was focused on the need for customer care and service quality, and the development, implementation and evaluation of customer care/service program as well as associated staff and management training activities.²³²

Bolton, Ruth N. and James H. Drew (1994) observed that organizations have traditionally managed services by manipulating engineering and operational attributes and observing market outcomes. In recent years, customer satisfaction ratings have become an important component in this process. Hence, managers are keenly interested in the effect of service changes on customer satisfaction, customer behavior and revenues. It described the theoretical relationships among service operations, customer assessments and market outcomes. It also discussed the methodological and managerial issues that tend to arise during an investigation of these relationships.²³³
Harrison (1995) argued that consumers have imperfect information and therefore rely upon assistance to gain important and valuable information from the service provider. Financial service providers must therefore offer the required assistance and use this for successful businesses.  

Lapersonne (1995) highlighted that a good service will lead the customer to purchase repeatedly, or moreover, to recommend that service providers to friends and family, and to withstand the marketing effectiveness of other manufacturers. So the marketers have to bear in mind that, over time, customers may have to change their behaviour even though their initial attitude constellation still remains. Such involuntary changes are compelled by 'situational influences'.  

Freeman (1995) examined that the UL, VUL allows the policy owner to adjust the amount and frequency of premium payments and death benefits to meet his or her needs. The policy owner determines how to invest the premiums under a VUL policy. The premiums are held in separate accounts which are not subject to creditor claims of the insurer. The types of investments are the same as those of VL, ranging from very conservative guaranteed fixed accounts, to bonds, to common stocks and highly aggressive sector funds. The policy owner can also choose how much of their premiums will be allocated into the various accounts, allowing for a potentially greater rate of return. Internal transfers between the different accounts are free of income tax. Like VL, VUL has no guaranteed minimum cash value since the cash value depends on the performance of the underlying investments.
Rogers (1995) suggested that widespread diffusion of an innovation will lead to significant changes in the market channels themselves. As noted above, the widespread diffusion of the usage of the Internet in both the travel and insurance industries; however, the adoption patterns have been quite different. The researcher presents five attributes of innovation (relative advantage, compatible, complex, trial and observable). Of these, relative advantage has been shown empirically to consistently be the best predictor of adoption/usage.\textsuperscript{2,37}

Shaw (1996) mentioned that pricing policies are formulated to exploit and manipulate human psychology as witnessed by common practice whereby the recommended retail price printed on a product is often substantially higher than what retailers actually charge. The aim of such pricing policies is to give customers a false impression that they are in fact getting a bargain.\textsuperscript{2,38}

Bernheim et al. (1997) analyzed household data on wealth and savings, arguing that the data are consistent with “rule of thumb” and “mental accounting” theories of wealth accumulation. They find little support for the traditional life cycle model of savings and wealth accumulation.\textsuperscript{2,39}

Laibson (1997) proposed household savings behavior and argued that people not only find it difficult to make optimal savings decisions but often find it difficult to stick their decisions. In particular, consumers short run discount rates are much higher than their long run discount rates, implying that preferences are time inconsistent. This discount structure leads consumers to save little today even though savings are optimal from a life cycle perspective. Moreover, consumers often invest in illiquid assets or other commitment devices to overcome this tendency for over-consumption.\textsuperscript{2,40}
Regan (1997) examined the distribution channel preference from a transactions cost perspective. She found that independent agents are used more often by insurers that sell more complex insurance products, while exclusive agency insurers use their agents to market more standardized products. She categorized these transactions based on frequency of exchange, complexity of the contracting environment, exogenous uncertainty and the importance of relation-specific investments that cannot be transferred to other users without the loss of value.²⁴¹

Schoenbaum (1997) using data from the HRS, shown that current heavy smokers tend to be overly optimistic about their probability of surviving to age 75; that is, heavy smokers’ subjective assessment of their own survival probabilities are higher than those obtained from actuarial models. By contrast, never smokers’ subjective assessment of their probability of surviving to age 75 is marginally lower than the actuarial prediction.²⁴²

Thorsten Hennig-Thurau and Alexander Klee (1997) highlighted that customer satisfaction with a company’s products or services is often seen as the key to a company’s success and long-term competitiveness. Customer satisfaction is often viewed as a central determinant of customer retention. The few empirical investigations in this area indicated that a direct relationship between these constructs is weak or even nonexistent. The overall purpose of this research is to develop process, with the use of the concepts of customer satisfaction and relationship quality. It involves a critical examination of the satisfaction–retention relationship, and the development of a more comprehensive view of the customer’s quality perception.²⁴³
Shekar Chandra Sahoo (1998) discussed various issues relating to life insurance marketing. He has given a detailed note about new kinds of products and intimacy with the market and a constant technology adoption for survival as well as for a consistent growth. Innovative business concepts will have an even more powerful impact on the organization future and its place in the global market.²⁴⁴

Fiona Debling (1999) studied that how direct marketing affects brand commitment in the financial services sector. The research explored how to build consumer-brand commitment within a UK personal finance context, focusing on retail banking. Brand loyalty and brand commitment literature and assesses their relevance to personal finance, and their potential contribution as models and measuring instruments for a proposed study of direct mail relationship marketing programme.²⁴⁵

Hurd et al. (1999) reported a very similar pattern among older populations. Nearly 85-89 years old female respondents' subjective probability of surviving to age 100 years is 0.30, while the life table value is merely 0.07. By contrast, presumably healthier 70-74 year old female respondents are more pessimistic about their survival chances than is warranted—their subjective probability of surviving to age 85 years is 0.51, while the life table value is 0.58.²⁴⁶

Kirchler and Angela-Christian Hubert (1999) found that the study aims at describing spouses' relative dominance in decisions concerning different forms of investment. As determinants of spouses' dominance, partnership characteristics, such as partnership role attitudes, marital satisfaction and individual expertise in relation to different investments, were considered.
A questionnaire on spouses' dominance in making decisions on various investments, on the characteristics of particular investments and on partnership characteristics was completed by 142 Austrian couples. Basically, wives appeared to adapt to the dominance exerted by their husbands in savings and investment decisions. Wives' dominance was highest in egalitarian partnerships, where autonomic and wife-dominated decisions were reported more frequently than in traditional partnerships. Additionally, spouses' relative expertise in relation to the investments in question showed strong effects on dominance distribution: Spouses with higher expertise than their partners exerted more dominance in decision-making processes.\(^2\)\(^4\)

**Peter Drucker (1999)** admitted that by "providing financial protection against the major eighteenth and nineteenth century risk of dying too soon, life insurance became the biggest financial industry of that century. Providing financial protection against the new risk of not dying soon enough may well become that next century's major and most profitable financial industry".\(^2\)\(^4\)

**Trubey (1999)** advocated that whole life insurance is the proper choice when the insured wants both lifetime protection and cash accumulation; wants additional income during retirement; wants to leave an estate to their heirs; needs money for estate settlement costs and taxes; or to save money for children's college funding. For many individuals, whole life insurance may be a suitable, competitive choice, but the cost of the premiums makes WL unaffordable. In this case, an ideal insurance plan may be a combination of whole life and term life insurance.
He suggested that premiums can be invested in a variety of favorable investments; the Variable Life insurance policy has the opportunity to provide potentially greater cash value growth than that available in Whole life insurance policy. Those who need long-term insurance protection and a fixed predictable premium payment, but are not satisfied with the conservative rate of return associated with whole life and prefer potentially greater tax free cash value growth, a VL policy may be a suitable option.\textsuperscript{249}

Zur Shapira and Itzhak Venezia (1999) highlighted that a major characteristic of insurance markets is information asymmetry that may lead to phenomena such as adverse selection and moral hazard. Another aspect of markets with asymmetric information is self-selection, which refers to the pattern of choices that individuals with different personal characteristics make when facing a menu of contracts or options. To combat problems of asymmetric information, insurance firms can use screening. That is, they can offer the clients a menu of choices and infer their characteristics from their choices. The results of these studies provide partial support for the hypothesis that subjects use self-selection and screening in insurance markets.\textsuperscript{250}

Choudhury et al. (2000) surveyed auto insurance consumers to examine the relative advantage of the agent-led channel compared to the Internet-led channel. They found that relative advantage is a multi-dimensional attribute. In addition to transactions costs, relative advantage also includes the dimensions of trust and knowledge. They also found that the purchase process for some consumers is a two-stage process.
These consumers first use the Internet to collect information on products or services. They then return to the agent to complete the purchase. This behavior highlights the current role that the Internet plays in providing support to the agent-led channel.\textsuperscript{251}

Christopher K. Hsee and Howard C. Kunreuther (2000) highlighted that the insurance behavior as a context to study affective influences in seemingly purely monetary decisions. They reported two related findings. First, people are more willing to purchase insurance for an object at stake, the more affection they have for the object, \textit{holding the amount of compensation constant}. Second, if the object is damaged, people are also more willing to go through the trouble of claiming a \textit{fixed amount} of compensation, the more affection they have for the object. These effects are not predicted by standard decision theories. They explain these findings by a "consolation hypothesis," according to which, people perceive insurance compensation as a token of consolation.\textsuperscript{252}

Moore and Zhu (2000) hypothesize that given the recent flood of information on the alleged hazards of passive smoking in government publications and the media, people are likely to overestimate the health risk of passive smoking. They find evidence consistent with a model whereby individuals systematically overestimate the effects of passive smoking on their health and where the short-term effects of passive smoking on health care costs are negligible. In addition to the evidence from psychology literature, recent studies using data on subjective survival expectations from the Health Retirement Study (HRS) and the Asset and Health Dynamics Among the Oldest Old (AHEAD) find that people tend to be optimistic about their longevity, with of optimism greatest for people with the shortest life expectancies.\textsuperscript{253}
Rama Krishna Rao T S (2000) suggested that 1999-2000 were landmark years in the history of Indian insurance industry. The year 2007 is going to be another watershed for the industry. Detariffication from first January 2007 will totally change the complexion of the non-life industry. Financial inclusion is being emphasized in various forays. The insurance industry will have to play a vital role by providing health insurance and other insurance products for the poor.\textsuperscript{2,54}

Celent Communications (2001) surveyed major U.S. property/liability insurers regarding Internet usage. The six main usage areas were (1) agent access to quotes, (2) agent extranet, (3) policyholder account access, (4) customer live quotes, (5) customer quote request, and (6) agent locator. Of these six, the two most frequently used were the agent locator (over 60%) and the agent extranet (approximately 40%). These results clearly indicated that for property/liability insurers, the web is being used as an information or communication tool, as well as a prospecting tool for insurers' agents.\textsuperscript{2,55}

Gronroos, (2001) highlighted that attraction as a driver of customer commitment means something that makes a service provider interested to a given customer or the other way round so attraction can be based on financial, technology or social constructs. Consequently, even social contacts that are highly appreciated may form a source of attraction that can lead to a business relationship. If attraction exists between parties, the basis for a relationship is developing. Indeed, understanding the role of attraction in a customer commitment decision is the key issue that little attention has been paid on it the services marketing area.\textsuperscript{2,56}
Prithviraj Dasgupta and Kasturi Sengupta (2002) conducted a survey with the advent of the Internet; online processes are replacing conventional models in our society. The greatest impact in online technology has been achieved by e-commerce. E-commerce is attractive both to buyers and sellers as it reduces search costs for buyers and inventory costs for sellers. They investigate the impact of e-commerce on the insurance industry in India. The recent growth of Internet infrastructure and introduction of economic reforms in the insurance sector have opened up the monopolistic Indian insurance market to competition from foreign alliances. They study the evolving scenario in the insurance industry in India and identify the features of online insurance that improve the conventional insurance model and it makes more attractive for the Indian insurance industry to go online.²⁵⁷

Randy E. Dumm and Robert E. Hoyt (2002) highlighted that the experience of insurance agents has been much different. Agents continue to be the primary distribution channel for insurance products. Moreover, the adoption rate of the Internet as a distribution channel has been low, have seen widespread adoption of the Internet as a support channel. Insurers are using the Internet to provide general information on financial services products (e.g., insurance, investments) and planning involving the use of these products, to provide specific information on the company and its product lines, to provide administrative support to its policyholders, and to serve as a prospecting and communication tool for its agent-led channel. Several obvious factors that impact on a channel’s adoption are consumer attitudes and preferences. The early predictions of widespread adoption of the Internet as an insurance marketing channel were inaccurate. It is clear that insurers are continuing to experiment with alternative distribution channels.

47
More and more insurers are utilizing multiple distribution channels as they continue to balance the needs of different groups of consumers against the cost of distributing their products and services. Prior to the advent of the Internet, most purchasers of insurance products used traditional agent-led distribution channels such as direct writers or independent agents. Given its reliance on traditional channels, the insurance marketplace has only recently begun to reflect this broader growth in electronic channels. The Internet was expected to have a major negative impact on the traditional agent-led distribution channel. Currently, less than two percent of insurance products are purchased via the Internet.²⁵⁸

Atmanand (2003) asserted that where people below poverty line are high and per capital income is low, insurance penetration is bound to be low. The foregoing thus suggested that there might be disparity between the common behavioural response to insurance offerings and strategies and what obtains in Nigeria business environment. Therefore, using the basic demographical variables as the basis, the focus of this paper is to investigate the attitudes of Nigerian towards insurance services.²⁵⁹

Chang 2002 highlighted that the Internet has changed consumer behavior and marketing channels in a lot of ways. Over the last 10 years, financial institutions have actively developed online channels and offer a wide variety of web-based services to their customers to reduce the operating costs and increase the service efficiency.²⁶⁰
Christian Gollier (2003) suggested that the selection of a deductible level in insurance is governed by the willingness to limit the risk borne by risk-averse agents at an acceptable cost, given the deadweight insurance loading. He examined the demand for insurance in a simple lifecycle model with a liquidity constraint and no serial correlation in the insurable risk. This allows for consumers to follow a time-diversification (self-insurance) strategy by accumulating buffer stock wealth. He concluded that insurance would only be demanded for catastrophic risks, or by people that are currently liquidity constrained. The added value of the insurance sector is thus surprisingly low in such an economy.\(^2\)\(^6\)\(^1\)

James H. Hunt (2003) highlighted that the early variable life policies operated like a fixed premium, whole life policy. Although WL policies have much more premium flexibility in today's market than historically, once purchased the premium usually remains the same, as does the death benefit (unless any policy dividends are used to purchase additional, paid-up insurance). So it was with early variable life policies – premiums were fixed and death benefits grew only with favorable investment results.\(^2\)\(^6\)\(^2\)

Jay Bhattacharya, Dana Goldman and Neeraj Sood (2003) highlighted that they construct and implement a test of rational consumer behavior in a high stakes financial market. In particular, they test whether consumers make systematic mistakes in perceiving their mortality risks. By implementing this test using data from secondary life insurance markets where consumers with a life threatening illness sell their life insurance policies to firms in return for an up-front payment.
They compared predictions from two models: one with consumers who correctly perceive their mortality risk, and one with consumers who are misguided about their life expectancy, and find that the data are most consistent with the predictions made by the second model.263

Mike Adams and Philip Hardwick (2003) conducted on a survey in the insurance industry; claims tend to constitute the major proportion of total annual outgoings across almost all product lines. A cost function of insurance claims and applied the model to 1988-93 data from the United Kingdom and New Zealand life insurance industries. They found a similar set of results for the two countries. In general, the results support the hypothesis that larger life insurance firms on average face bigger claims-to-premium ratios than smaller life insurance firms. The evidence concerning the relationships between claims and the composition of output and between claims and the degree of reinsurance is mixed, but there is clear support for the view that stock firms have a less severe claims experience than mutual. They conclude that the model provides intuitive insights into the determinants of insurance claims.264

Raija Jarvinen, Uolevi Lehtinen, Ismo Vuorinen (2003) highlighted that service-marketing literature has traditionally built upon the combination of low technology and high interaction between service providers and customers in service delivery. The empirical evidence was gathered from two Finnish financial organizations, an insurance company and a bank, both having utilized technology in their service production and delivery. The consequences of these choices are evaluated and compared with each other.
They concluded with a framework for strategic decision making, which ties together the dimensions of service type, technology and encounter. They suggested that there are numerous strategic options between the ends of each continuum of the framework, and in addition to advanced technology, service providers need to pay explicit attention to social aspects. The lesson they learned calls for more customer orientation when planning high-tech solutions in service operations, and taking a new attitude to segmentation.\textsuperscript{265}

Phillip K. Hellier, Gus M. Geursen, Rodney A. Carr and John A. Rickard (2003) suggested a general service sector model of repurchase intention from the consumer theory literature. A key contribution of the structural equation model is the incorporation of customer perceptions of equity and value and customer brand preference into an integrated repurchase intention analysis. The model described the extent to which customer repurchase intention is influenced by seven important factors – service quality, equity and value, customer satisfaction, past loyalty, expected switching cost and brand preference. The analysis found that although perceived quality does not directly affect customer satisfaction, it does so indirectly via customer equity and value perceptions. The study also found that past purchase loyalty is not directly related to customer satisfaction or current brand preference and that brand preference is an intervening factor between customer satisfactions and repurchase intention. The main factor influencing brand preference was perceived value with customer satisfaction and expected switching cost having.\textsuperscript{266}

Amy Wong, (2004) empirically examined the role of emotional satisfaction in service encounters. Specifically, this study seeks to investigate the relationship between emotional satisfaction and key concepts, such as service quality, customer
loyalty, and relationship quality, and clarify the role of emotional satisfaction in predicting customer loyalty and relationship quality. It used the relationship between emotional satisfaction, service quality, customer loyalty, and relationship quality as a context, as well as data from a sample survey of 1,261 Australian retail customers concerning their evaluation of their shopping experiences to address this issue. The results show that service quality is positively associated with emotional satisfaction, which is positively associated with both customer loyalty and relationship quality. Further investigations showed that customers' feelings of enjoyment serve as the best predictor of customer loyalty, while feelings of happiness serve as the best predictor of relationship quality. The findings imply the need for a service firm to strategically leverage on the key antecedents of customer loyalty and relationship quality in its pursuit of customer retention and long term profitability.267

Dwane Hal Dean (2004) conducted a survey that ethical evaluation of insurance claim padding behavior would be affected by characteristics of the policyholder, insurance agent, and company. These three factors were manipulated in written scenarios and the premise was tested in a factorial experimental design. No significant support was found for an effect of any of the three factors on ethical perceptions of claim padding. However, females found claims padding to be significantly less ethical than males. Given a claim scenario where the actual loss was $500 and the claimed amount was $3000, subjects awarded an average of $986.91 on the claim. Many respondents were willing to compensate victims for intangible losses as well as tangible losses.268
Jain (2004) revealed that the waves of liberalization have done wonders to raise the insurance occupation to the status of a career with a bright future. The average mindset, particularly of younger generation in India is very amenable to these changes in insurance, which is as an avenue where exhilarating opportunities are opened up in changed environment.\textsuperscript{69}

Moller (2004) highlighted the quality of life in developing countries with reference to South Africa income and social security (own wages, ability to provide for family, insurance against illness/death and income in old age) have been treated as one of the major indicators of quality of life. This standpoint stresses the significance of insurance to human life. Ironically, insurance services seem not to have been so accepted enthusiastically in developing countries. The abysmal level of insurance culture in developing economies has attracted relative interests among researchers and practitioners alike.\textsuperscript{70}

Matthies and Cahill (2004) described various challenges the insurance industry faces. Those include lack of data to determine price of products and ability to negotiate payment rates with providers, a regulatory framework that does not recognize the unique features of the insurance products, lack of quality assurance measures for health providers, and lack of consumer awareness about the benefits of health insurance. The studies strongly argue broader role of IRDA in amending current regulations so that some of the sources of malpractice could be stemmed.\textsuperscript{71}
**Ozdemir and Kruse (2004)** explored the relationship between individual's risk perceptions and their willingness-to-pay for increased safety in a low-probability, high-consequence event. They found out that the perceived severity of tornado risk has the largest effect on willingness-to-pay and presence of children in the house significantly increases the willingness-to-pay.  

**Rejeda (2004)** suggested term life insurance is suitable in the following situations: if the insured has limited income that can be spent on life insurance, such as young people who are just beginning their careers or families; or if the need for protection is temporary, such as saving for children's education or paying off a mortgage or other debts if the family head dies prematurely. The variable universal life insurance (VUL) is a popular type of cash value insurance that has been widely sold in recent years. It combines the features of universal life with variable life. These features include flexible premiums, adjustable death benefits, more methods of accessing cash value, more investment choices, and the potentially higher rate of return and that comes with accepting greater risk. Most VUL are sold as investments or tax shelters.  

**Stephen Diacon (2004)** presented the results of a detailed comparison of the perceptions by individual consumers and expert financial advisers of the investment risk involved in various UK personal financial services' products. Factor similarity tests show that there are significant differences between expert and lay investors in the way financial risks are perceived. Financial experts are likely to be less loss averse than lay investors, but are prone to affiliation bias (trusting providers and salesmen more than lay investors do), believe that the products are less complex, and are less cynical and distrustful about the protection provided by the regulators.
The traditional response to the finding that experts and non-experts have different perceptions and understandings about risk is to institute risk communication programme designed to re-educate consumers. This approach is unlikely to be successful in an environment where individual consumers distrust regulators and other experts. 2.74

Baek and DeVaney (2005) studied that the attitude toward risk was measured by the question: “Which of these statements comes closest to the amount of financial risk that you are willing to take when you save or make an investment?” The analysis showed that above-average risk takers were more likely buy term life insurance than those who preferred taking average risk. Also, those who take average risk hold 10% more cash value life insurance than those who take no risk. 2.75

Helmut Gründel, Thomas Post and Roman Schulze (2005) found that the risk that life tables change in a nondeterministic way is a serious threat to the financial stability of an insurance company having underwritten life insurance and annuity business. The inverse influence of changes in mortality laws on the market value of life insurance and annuity liabilities creates, natural hedging opportunities. 2.76

Rhea Ingram, Steven J. Skinner and Valerie A. Taylor (2005) highlighted that there is a significant amount of research investigating managerial ethical judgments; a limited amount examines consumer judgments of unethical corporate behavior and its impact on the marketplace. This study examines how consumers’ commitment to a company impacts not only their ethical judgment of corporate behavior but also the outcomes of that judgment. The authors test hypotheses with data from 334 consumers and find that consumers’ level of commitment attenuates the level of perceived fairness.
More specifically, highly committed consumers may forgive companies for behaviors when perceived harm is low, but become progressively dissatisfied as the level of perceived harm increases. Results of the study point to the importance of considering ethical behavior from a consumer perspective. If corporate actions are perceived as unethical, the company stands to lose favor with their most committed customers. Considering that more time, effort and investment is required to gain a new customer as to retain an old, this study shows that engaging in behavior perceived as unethical by consumers risks alienating the most committed customers.\textsuperscript{277}

Anna S. Mattila and Jochen Wirtz (2006) highlighted that to test a theoretical framework that explains arousal congruency effects on consumer perceptions of intrinsically pleasant service environments. The findings from the experiment indicated that that an intrinsically attractive store environment can be perceived as unpleasant if it fails to match the consumer’s desired level of stimulation (arousal congruency). Similar congruency effects were found for satisfaction with the experience. The control group, on the other hand, responded positively to all levels of actual arousal, thus suggesting that arousal expectations are an important moderator of customer evaluations of service environments. The findings suggested that an intrinsically pleasant service environment might not be enough to guarantee pleasure and satisfaction. Specifically, the amount of pleasure and satisfaction derived from the service experience might be dependent on the degree of congruency between consumers’ target-arousal levels and the actual arousal levels of the service environment.
Elistina Abu Bakar, Jariah Masud and Zuroni Md Jusoh (2006) highlighted that National Higher Education Fund Corporation loan is the major source of financing tertiary education in Malaysia. Non-repayment of the loan among university students after they have graduated becomes a major problem to the government since the total amount of loan available to the students is depended on the loan repayment. This study sought to examine the students' knowledge and attitude regarding the loan. Three aspects of focus are knowledge, attitude and perception of students towards the loan and the repayment of the loan. A total of 1,500 students of University Putra of Malaysia participated in the study and data were collected using self-administered questionnaire. The findings revealed that students have good knowledge about loan agreement but there were a significant proportion of students with negative attitudes towards the repayment of the loan. Majority of them perceived the loan as a burden to them and it limits many options of their life after graduation.

George J. Avlonitis, Kostis A. Indounas (2006) suggested to explore the pricing policies that service companies adopt along with the pricing information that they gather to set their prices. The study found that "list pricing" is the only policy that is adopted by the majority of the surveyed companies. Further, they tend to collect more than one type of information giving particular emphasis on market-based information. The "customer-based" information was found to be associated positively with the policy of "cash discounts", while the "competition-based" information with the policies of "trade discounts" and "differentiated pricing".
The findings refer to the need for a "balanced" market-oriented and "situation-specific" approach when setting prices. The significance of these findings notwithstanding, the context of the study (Greece) is the most important caveat since it limits the ability to generalize the results in other countries.  

Jean Donio', Paola Massari and Giuseppina Passiantes (2006) suggested exploring the links between customer loyalty attitude, customer loyalty behaviors (measured by customer purchase behaviors) and profitability. The aim is to define a conceptual framework within which to analyze the relationships between attitudes, behavior, and profitability of the customers. Customer loyalty, its antecedents and outcomes, and the links between customer satisfaction, customer loyalty and profitability have been analyzed at a customer level. The results of the study provide evidence that a Loyalty index can give managers an adequate support for market segmentation. This means that actual market segment strategies, based on geographical, demographical and/or psychographic variables, should take into account also loyalty measurement models.

Sukla (2006) reviewed that the euphoria is well earned and the economic measures of liberalization initiated in insurance sector are well looked at. Six years into competitive market, the Indian insurance industry exhibited a healthy growth trend of new business and market share. It grew from a total premium of Rs.34, 898 crore in the year 2000-2001 to Rs.66, 287.93 crore in 2003-2004, followed by the aggressive achievement posted at Rs.81301.40 crore in 2004-2005. The life insurance industry saw the new players stabilize their operations which were keenly matched by LIC and the premium numbers brought out the fact that the size of the insurance market grew over the six years of liberalization.
He also views that with liberalization, India is penning the script of insurance convergence (catch up) and not Insurance divergence (falling behind). Since the opening of insurance industry at 2003-2004, private players have brought 21.87% of their new business, through referrals and direct business, a sign of harnessing the strengths of the competitive market of the respective organization. It clearly indicates the comfort zone of operation of the players. But the real operational efficiency will emerge beyond the boundaries of comfort when they will try to expand the market share in the unfamiliar territory.\textsuperscript{2,83}

Geeta Patel (2007) mentioned that insurance companies get a ‘client’ to buy insurance as an assurance against losses, as a hedge against the risks of life. These risks are sold as both quotidian and extraordinary events necessary to the course of any citizen’s life. Moreover in order to grasp the fullness of how insurance is absorbed into a person’s everydayness; one has to see something of how time and money work in tandem with loss and compensation. Insurance is usually constituted as a technology of risk. Rather than holding risk and insurance to the bare provisions of finance and financial forms, this article tangles with the affective attachments that grow out of insurance technologies. Someone who buys insurance lays money down now for an event that will occur in his or her future.\textsuperscript{2,84}

Liu et al. (2007) in their recent study on key issues and challenges of risk management and insurance in China’s construction industry, note that risk management and loss prevention are not a priority, and there is no motivation for contractors to transfer risks to insurers as the government will reimburse any losses incurred. This is because investments in many large and medium projects still come from governments.\textsuperscript{2,85}
Omar (2007) assessed consumers' attitudes towards life insurance patronage in Nigeria and found out that there is lack of trust and confidence in the insurance companies. Other major reason for this attitude is lack of knowledge about life insurance product. An instructive opinion suggested by the researcher is the call for a renewed marketing communication strategy that should be based on creating awareness and informing the consumers of the benefits inherent in life insurance so as to reinforce the purchasing decision.

Rao (2007) reported that the insurance is a vital economic activity and there is an excellent scope for its growth in the emerging markets. The opening up of the insurance sector has raised high hopes among people both in India and abroad. The recent de-tarrification in the non-life domain has provided a great deal of operational freedom to the players.

Sabera (2007) indicated that the Government of India liberalized the insurance sector in March 2000, which lifted the entry restrictions for private insurance players, allowing foreign players to enter into the market and start their operations in India. The entry of private players helps in spreading and keeping the operation in the Indian insurance sector which in turn results in restructuring and revitalizing of public sector companies.

XIN Li-li, GENG Hui, WANG Yong-min, ZHANG Jing-jing (2007) conducted on a study that when analyzing and evaluating risks in insurance, people are often confronted with the situation of incomplete information and insufficient data, which is known as a small-sample problem.
One-dimensional small-sample problem in insurance was investigated using the kernel density estimation method (KerM) and general limited information diffusion method (GIDM). In particular, MacCormack technique was applied to get the solutions of GIDM equations and then the optimal diffusion solution was acquired based on the two optimization principles. Finally, the analysis introduced in this paper was verified by treating some examples and satisfying results were obtained.  

Abul Hassan, Abdelkader Chachi and Salma Abdul Latiff (2008) highlighted that the society at large should not be deprived of honest, free from coercion marketing information. A customer’s right to acquire such information is his right and is indicative of the status given to him by Islam, as well as of the ingrained rights of his wealth which he spends in purchasing products and services. It is the responsibility of the marketers not to resort to any form of coercion and they must, under all circumstances, have a regard for the intellectual integrity and a higher degree of consciousness of the consumers to ensure that the hard earned money of customers is not wasted.  

Hugo Nurnberg and Douglas P. Lackey (2008) conducted a survey on COLI—Company Owned Life Insurance—is often purchased by firms on employees in whom the firm has no demonstrable insurable interest. Though no immediate harm comes to individuals insured in this way, purchasing such policies raises moral questions. From a Kantian framework, questions arise about reciprocity and fairness, the deception of employees, the generation of mistrust, and the use of the employee’s life as a means to profit. No compensating social good is served by the sale of these policies.
Min-Hsin Huang (2008) highlighted that to compare the selling orientation (SO) versus customer orientation (CO) selling behavior of a service employee and examine the impacts of SO versus CO behavior on customer relationship quality and retention in financial services selling. Specifically, this research hypothesizes that a salesperson’s SO is negatively related to relationship quality while salesperson’s CO is positively related to relationship quality. A conceptual framework is proposed that considers customer retention as a consequence, and a service employees’ SO/CO behavior as an antecedent of, relationship quality. This study suggests that service employee training emphasizing CO can add additional value to a company’s service offering and influence future retention of the service firms. This is the first study to completely compare the CO approach with SO approach in a service selling.  

Binod Kumar Singh (2009) highlighted that there are various factors that affect the consumer buying decision and also influence consumer thinking when they are planning to invest in insurance scheme. Major respondents generally prefer insurance like vehicle insurance, term cover insurance, medical/health insurance and they also prefer sum assured of life insurance less than Rs 10 lakhs. Most of the respondents show their interest in life insurance having higher risk coverage and also for tax saving purpose.

Govind Johri (2009) highlighted that the front line personnel understand the priorities by virtue of regular customer contact. The front line contact persons are mainly agents, brokers, company’s sales officers, underwriting/claim assistants, cashiers in office, besides sub staff and other executives etc. This front line staff interacts 90% of time with the customers, mainly interacting outside any direct supervision.
These “moments of opportunities’ (the time to perform) for the organization are in reality ‘moments of truth’, for the customer to feel the service. This desires full accountability of the front line staff presents for interaction on behalf of the insurer. The Insurance Company has to provide a proactive response towards their customers in day-to-day actions while extending services, for being considered as having given effective and efficient service. The present day customer buys his ultimate satisfaction, not the product. He dwells more on promise of satisfaction made by agents/brokers/ company advertisements/ assertions by Company/Industry/Regulator/ Legislature. The judgment of customer service is mainly on the basis of ‘what was asserted or implied’ about the policy product. The customer is the most wanted person on the insurer’s premises. Each employee of the insurance company from sub- staff to Chairman exists in the company on the simple premise “to serve the customer, in whatsoever role has been assigned to any one”. Therefore, attending to potential, prospective, insured is the prime duty of each employee.294

Hung-Chih Hung (2009) conducted a study that the individuals may have difficulty in determining whether or not to buy insurance against low-probability, high-loss events. This ambivalence would cause preference uncertainty and decrease homeowners’ interest in voluntarily buying insurance. This paper incorporated fuzzy set theory into contingent valuation analysis to examine the determinants of attitude towards buying flood insurance under preference uncertainty. The results show that the perceived levels of flood risk, experience with flood, disposable income, as well as house conditions, are influential factors in the decision-making process for insurance purchase. However, both the estimated price and income elasticity’s are low for flood insurance purchase.
It is worthy to note that governments' artificial structures provide a disincentive for buying insurance, although respondents perceived or/and are exposed to a high level of flood risk. The findings also show that the spread of fuzzy willingness to pay regions is wide, resulting from respondents' high uncertainty on their value judgment to insurance. This indicates that preference uncertainty and conservatism rule are the key factors that cause respondents to tend to reject buying insurance.\textsuperscript{2,95}

\textbf{Kanwal Grag, Dharminder Kumar & M.C.Garag (2009)} focused on the reasons for lapses like forfeiture, surrender and switchover of policies in life insurance sector. A practical data set comprising of 12 attributes was formulated and distributed in the form of questionnaire. Out of the 500 opinion poll distributed, the data of 397 respondents was collected and maintained. The study confirmed that financial difficulty in paying the premium amount, concealment of the facts, products goodwill and service satisfaction are the key reasons for forfeiture, switching and surrender of life policies.\textsuperscript{2,96}

\textbf{Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu (2009)} concluded from the analysis that demographical factors play considerable role of varying degrees on attitudes of Nigerian to insurance services. Specifically, age, marital status, educational status, profession, household income—all have significant impact of varying degrees on attitudes towards insurance.

Only gender, surprisingly though, proves not to have significant impact. The findings of this study suggest some major implications for marketing of insurances services in Nigerian businesses environment. Given that attitude is strongly linked to behaviour, marketers of insurance services targeting Nigerians are confronted with the
challenge of encouraging people to embrace insurance institution and its associated benefits. Finally it is confirmed that there is negative attitudes of Nigerians to insurance services. ²ⁿ

Rajendran R and Natarajan B (2010) reasoned that when compared with the developed foreign countries, the Indian life insurance industry has achieved only a little because of the followings: lack of quality strategies adopted by the LIC, lack of standard education and awareness about savings, low capital per income and lack of employment opportunities. ²²

How the present study is different from the previous studies

Most of the previous studies were dealing about the advantages and disadvantages of the policies. They either give a solution to improve the quality, customer care or it was a comparable study between the sectors. The attitude of the customers in foreign countries is quite different from Indian customers, who have low standard of education and income.

In this study the researcher has focused on the attitude of the customers towards LIC services in Nagapattinam district which is an eastern coastal area in South India, which is often affected by heavy rain and cyclone, where the people have a different approach towards insurance due to the uncertainty of their life. Also the researcher has covered on all areas of service such as information regarding the policy, risk coverage and safety, insurance agents, insurance premium, loan facilities, lapse and revival of policy, sum assured, and customer satisfaction about the LIC, modern technology used and physical facilities available in LIC. Therefore, this research work is entirely different from the previous studies.
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