Chapter 2

Review of Literature

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Chapter 2

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2.1 Introduction

In this chapter the researcher reviews research papers published in journals, research theses, investigative reports in newspapers or periodicals, reports of research projects undertaken by Insurance Regulatory and Development Authority of India, National Insurance Academy, other national and state level institutions and reports on seminars conducted by insurance companies and various commissions appointed by the Central Government. The reviews are presented chronologically under international, national and regional dimension.

2.2 Studies with International Dimension

Doochol Kim (1988) studied the determinants of life insurance growth in developing countries and affirmed that there is a positive relationship between industrialization, urbanization and insurance consumption.

Crosby (1990) observed about the quality of salesperson-customer relationship as perceived by the customers of life insurance. Service domain expertise such as knowledge and training in insurance, relational selling behaviour such as personal contact, co-operative intention, similarity such as personality, values and education were analyzed under the study.
Anderson, et. al. (1990) attempted to relate between expectations, quality, price and customer satisfaction. Quality as well as expectation had a positive impact on the customer satisfaction. The study revealed that the primary factor contributed to customer retention was current quality and past satisfaction. Increasing customer expectation by over promising was likely to be detrimental to the firm in the long run.

Joseph M. Belth (1996) stated that there exist a wide difference in the cost of identical products in life insurance field and the consumer is not generally aware of the price he or she pays when buying life insurance.

Thitivadee Boonyasai (1999) studied the effects on life insurer efficiency of insurance market opening and deregulation efforts undertaken by Korea, The Philippines, Taiwan and Thailand. It was observed from the study that liberalization and deregulation has improved efficiency in life insurance industry by cost savings and adjusting scale of operations.

Tillinghast Towers (2005) demanded more transparency and disclosure of key business risks for the insurance industry to prevent inappropriate accounting and bitter costs to the customers.
LIMRA International (2005) presented a survey report of American households at the annual Life Insurance Conference in Texas. The survey revealed cost as the main reason for not buying additional life insurance. Difficulty in deciding the value of policy to buy was the reason, procrastination, worry about making wrong decision and preferring to put money in other financial products were other reasons for the respondents for not buying additional policies.

2.3 Studies with National Dimension

Bajapai (1975) observed that life insurance had vast untapped potential in our country, both in rural and urban areas.

Rao (1976) took a critical look at LIC’s operations with a view to delineate the major achievements and failures, particularly in the light of the objectives of its nationalization. This study showed that the total business of the LIC registered substantial growth in terms of policies and sum assured, the compound growth rate being approximately 13.6% per year.

Mandawat (1978) pinpointed that since its inception, LIC had twin objectives of providing protection through insurance to all sections of the society and of making the accumulated savings of millions of policy holders available for investment in the priority sectors of the 5 year plans.
Kumar Raj (1986) viewed lack of awareness and low penetration levels in rural areas due to restricted range of products suited to every class of customers. He also pointed out that there was a yawning gap between the needs of the customers and the products offered by the LIC.

NIA (1987) asserted that the beneficiaries from the life insurance had positive attitudes towards the same and compared it favorably with other financial assets at the time of death. In fact, many wished that they could have subscribed for more insurance. He also stated that delay in settling claims were causing embarrassment to the policy holders.

Tripathi (1987) suggested that since yield was an important consideration in the determination of the premium rates and bonus payments, the pattern of investments in the LIC should be changed radically.

NIA (1988) found that the purchase of insurance was influenced by level of earning, marital status, number of dependents and age. It was identified that awareness of life insurance was spread through friends and relatives as much as through any other published medium.

Janaki (1988) assessed that the LIC was playing a major role for the implementation of Government social security measures for the weaker sections.
Srivastava (1991) investigated the operational policies and practices of LIC and indicated that LIC has achieved a major breakthrough in mobilizing the savings of the people and building up a big reservoir for financing socio-economic schemes of national importance and the needs of public and private undertakings.

Sunanda (1992) pointed out that the lack of public relation approach on the part of the staff of LIC was the reason for the dissatisfaction of the agents as well as the public.

IIPO (1992) studied the different facets of LIC and found that almost all are aware of the services of LIC. Majority have confidence in the products of LIC as they perceive it, as an agency to protect their own future and that of their dependents.

LIC (1994) in their Report on Rural Survey stated that LIC could not develop insurance awareness among the rural people to the expected level and the agricultural segments had not been tapped as much as service segments.

Reddy and Murthy (1995) observed that life insurance business in India had multifold in all aspects such as sum assured, the number of policies and the
number of persons insured after nationalization. At the same time, the LIC was successful in changing the attitude of people towards life insurance.

Dewa Gowda (1996) stated that the LIC had been contributing immensely to the country over the last four decades by providing social security network to the common man and also long-term development funds for the country.

Kishore (1996) perceived that life insurance as an idea, a dream and as the fourth variable after food, clothing and shelter.

Narain (1999) pointed out that insurers are repositories of public and that they sell promises to indemnify the insured upon the happening of specified events. He further affirmed that it was compulsory to generate confidence in the minds of the insuring public that the insurer would be able to meet the future commitments it has undertaken.

Fulbag and Sonia (2007) stated that the Indian insurance sector has transformed into a buyer’s market, where the consumer has the choice to select from a variety of products, services and service providers. With the entry of number of players, the consumers are expected to benefit in three ways, i.e. more of choice, the easier access and better customer services through diverse products and varied distribution. An investor takes into account various factors while
buying an insurance product. These ranges of factors begin with investor perception, the promised return and the attractiveness of the offer.

Amita Fatterpekar (2007) asserted the three behavioural measures of loyalty as, customer’s recent purchase, frequency of customer’s purchases of different plan over a specified time interval and customer’s lifetime volume of purchases. Three attitudinal measures of loyalty are likelihood of continuing to do business, of repurchasing, willingness to recommend or serve as a reference.

The Economic Times (2008) reported that French insurance major AXA, in its global research on retirement, affirmed that Indians find life insurance as the most suitable retirement planning tool, followed by bank deposits. As much as 75% of the working population and 55% of retired respondents in the country cited life insurance as their primary tool for retirement planning.

Vidyalakshmi (2008) suggested that there are three types of policies that we should primarily buy – term, medical and accident cover. According to her, people who are young and unwilling to make big financial commitments can go in for a pure term cover. While arriving at the sum assured figure, there are multiple factors to be looked into. Firstly, the extent of income dependency in your family, which implies higher the dependency, higher should be your risk cover. Secondly, the liabilities we need to cover and the third factor to be taken
into consideration is asset creation. There are various products in the market, which combine the protection part of the insurance cover and also have an investment side to them.

Shoumitro Roye (2008) pointed out that India has an insurable population of 400 million of which only 150 million are insured.

Paramita Chatterjee (2008) pointed out that according to NCAER India Financial Protection Survey, the penetration of life insurance in India is about 4.1% of the total GDP as compared to 8-10% of GDP in some developed countries.

Anirudha Gosh (2008) revealed that insurance firms are losing out a large amount of business, as their clients fail to renew policies after a year or two. Though insurance firms do not release their exact lapse ratios, industry estimates peg the figure at 25-30%. Non-renewal of insurance policies happens because of a number of reasons. The customer could have forgotten to pay his premium or may have even lost interest in the policy, because there is a gap between what he is getting from the policy and what he initially expected. Miss selling of policies is also a major cause for lapsation. The majority of lapses happen on orphaned policies, or in the case of a customer being wooed by another firm with a more attractive policy.
Shikha Sharma (2008) suggested that there is too much complexity in insurance products and because of complexity, the customer is not able to understand the product. According to her, insurers should simplify the product so that even if there is no standard product we should standardize the charges nomenclature so that the customer can understand it effectively.

Vaidyanathan (2009) explained the scope and importance of life insurance industry. India needs 400 billion for investment in health care to get to global averages of 4 hospital beds per thousand of people and insurance can garner such large amounts for investments in healthcare.

Nirjhar Majumdar (2010) elaborates the reason for low insurance penetration. According to him, the main reason for low insurance penetration is lack of financial literacy in general and apathy towards insurance in particular. In a country that still has 30% of its population illiterate and more than 300 millions still living below the poverty line, the general level of financial literacy cannot be expected to be high.

In our country, insurers are coming up with products on the basis of felt customer needs. But, while analyzing the needs, insurers are hardly making serious researches among the people who are supposed to buy the products. Insurers still think that more business can be earned by “aggressive” marketing
practices, innovative advertising and large scale recruitment of agents. Alternate channels, especially the corporate agents including banks and brokers can enable the insurer to gain access to some niche markets. Bancassurance has given the benefits of financial convergence to the insurers of Europe and many emerging Asian markets. Unfortunately, Indian insurers have been able to achieve very little from alternate channels. Thus, selling insurance in the competitive market is not an easy job.

Selvavinayagam and Mathivanam (2010) in their article have revealed that the competitive climate in the Indian insurance market has changed dramatically over the last few years. At the same time, changes have been taking place in the government regulations and technology. The expectations of policy holders are also changing. The existing insurance companies have to introduce many new products in the market, which have competitive advantage over the products of other insurance companies.

Karthik (2011) explains the convenience in purchase of on-line insurance policies. He clarifies that on-line insurance policies offer additional benefits to consumers.

Vipin (2011) revealed the target of LIC about bancassurance channel for selling policies. He pointed out that premium income from bancassurance was
Rs.1,218 crore in fiscal 2010-11. This constituted for little more than 2.5 percent of the Corporation’s new business income.

According to Preeti Kulkarni (2011) one of the key dilemmas facing insurance seekers when they wish to buy any form of insurance is whether the company will fulfill its obligation or not. This is more so in the case of health insurance, where claims can occur every year.

Jayant (2011) opined that most people don’t include inflation into the picture while reviewing or assessing their insurance needs. While the rule of the thumb states that we should look at a life cover of around 12 times your annual income deducting your investment assets plus any liabilities; it is also important to consider another mix – our rising income and increasing inflation.

Dheeraj (2012) pointed out that there are 23 life and 24 non-life insurers in the country but the penetration of life policies is only 4.4% while non-life is even lower at 0.7%. There are 57 districts where country’s largest insurer LIC is not present and this make a strong case for models like ultra small branches which are low cost.

Santhosh (2012) explains the importance of introduction of technology in the insurance sector. Among the several possibilities that emerge from the use of
technology, the Internet presents at least two unique ones for the insurance industry. One of these is the ability to extent the industry’s reach in the society. The other is rooted in the Internet’s ability to influence company operations in a positive manner.

The Brand Asset Valuator from Rediffusion-Y&R (2013) revealed that LIC is undoubtedly ahead of its competitors across all four brand pillars of Differentiation (reason to stand out), Relevance (reason to be adopted in consumers’ lives), Esteem (regard and loyalty) and Knowledge (Awareness and Saliency). However, SBI Life, a key competitor, comes a close second in overall scoring but still lacks in Differentiation.

2.4 Studies with Regional Dimension

Gopalan (1996) found that the average number of policies sold per agent was as low as two policies per month, even after 40 years of existence of the Corporation. He asserted that low productivity of agents was mainly due to lack of adequate knowledge and skill needed for dealing with a variety of clients.

Kutty (2001) studied that the agents remained by and large, the breadwinners of the life insurance industry. He also commented that, in reality, the LIC
experienced a large turnover of agents especially in the first three to five years. He found that policy lapse ratio was high in the first year due to wrong selling, lack of diligence and care while selecting prospects, and bypassing the procedure in a hurry to complete the sale.

Rajan (2009) suggested that product satisfaction can definitely be improved by keeping the premium low while enhancing the returns and liquidity aspects of the LIC products in comparison with other financial products. He pointed out that since the cost of life policy (premium) is based on mortality rate, management expenses and investment income, any improvement in these variables should go to the benefit of policyholders. Further, customer awareness about LIC’s products should be enhanced in order to have good market performance.

Thomas (2013) concluded that a substantial section of the society, that does not come under government schemes of any kind have to look up to the private and public sector health insurance companies in an environment of rising health care cost and serious health concerns. Further, consumers have indicated trustworthiness of a company to be important while selecting a service provider. Along with this customer satisfaction on service quality is important on two counts as consumers look for easy interactions and claim settlement processes.
Anitha (2013) found that customer satisfaction level was affected by occupation, age and education. It was also observed that the customers having lower level of education were more satisfied than customers with higher level of education. Since service quality is important to create customer satisfaction, therefore, focus should be placed on service quality dimensions.

### 2.5 Research Gap

Review of literature reveals that the existing studies are basically related to prospects of insurance in urban and rural India, prospects of insurance companies for increased new business, role of Life Insurance Corporation [LIC] in performing both social and economic functions of Indian economy, importance of life insurance as fourth variable after, food, clothing and shelter, how LIC has changed the attitude of people towards life insurance, marketing strategies, role of LIC in implementing the Government social security measures for the weaker sections, etc.

There is no specific and in depth study relating to consumer behaviour and perception towards life insurance products in Kerala after privatization of insurance sector. This paves the way for the researcher to carry out an intensive research relating to the behaviour and perception of consumers in Kerala towards life insurance products.
2.6 Conclusion

This chapter reviewed the research studies with respect to the life insurance sector in India and attempted to establish a research gap in the behaviour and perception of consumers in Kerala. This study is aimed to give an insight into the dimensions of the research problem. Next chapter provides an overview of the Indian life insurance sector.
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