CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION

Life is full of uncertainties. Safety and security have become the prime concern of everybody. Even though India has considerably developed economically, a section of the people still feels unsafe and insecure. The growing number of accidents due to natural and unnatural factors and ethnic issues sporadically erupting at different parts of the country resulting in group clashes make them feel so. Hence everything of this land has become uncertain.

Every risk involves the loss of one or any other kind. Uncertainty is the only certainty in life. Birth and death are certain and all other intervening events are uncertain. In mundane life, wherever uncertainty exists, there is an involvement of risk also. The instinct and need for security against such risk is a motivating force for human behavior and action. In this sense, the story of insurance is as old as the story of mankind1.

Insurance is a form of risk management primarily used to hedge against the risk of a contingent uncertain loss. The concept of insurance must have been born as a quest for security. The urge to provide insurance or protection against the loss of life must have prompted the people to make

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some sort of sacrifice willingly in order to achieve security through collective co-operation\(^2\).

Insurance can have various effects on society through the way that it changes those who bear the cost of losses and damage. Everybody wants to be safe and secure after attaining the basic needs. Maslow, in his theory of hierarchy of needs, suggested that everybody is tempted to attain social needs as soon as he/she attains his/her basic physiological needs such as food, clothing and shelter.

Insurance can influence the probability of losses through moral hazard, insurance fraud and preventive steps by the insurance company. Insurance scholars have typically used the term morale hazard to refer to the increased loss due to unintentional carelessness and moral hazard to refer to increased risk due to intentional carelessness or indifference.\(^3\)

In Indian society, the family is dependent upon the income of the breadwinner. As long as he/she is good and alive, the family finds it good to have good shelter, food, clothing and the like. But once when an untoward incident happens in the life of the breadwinner, the family collapses. The family finds it difficult to get rid of the pathetic situation. Similarly, when the breadwinner retires from service, the regular income to the family ceases and that risk makes him/her to think of an alternative whereby he/she and his/her family is protected from the financial crisis. There comes insurance as the only substitute for this type of uncertainty.


Insurance is a scheme that facilitates a collective sharing of a loss incurred by one or more people in their venture to realize a plan, a goal or a motive worked out to bring benefit to them. It is a boon in that it goes a long way in rehabilitating those who are struck by calamities unforeseen and unimagined such as rain, drought, fire, death and the like.

Of the many insurance schemes available the life insurance scheme is of vital importance to the humanity at large as man alive is unparalleled to any other phenomenon. The scheme is a beacon to those benighted homosapiens caught in a vortext of some disaster or other. It also instills in them a sense of saving as policy holders. They are bound to allocate a share of their earnings to pay their policy instalments at regular intervals\(^4\).

Life Insurance, in particular, provides protection to the dependants against the risk of premature death of the income earning member. It also provides protection against other life related risks such as longevity, the risk of disability and sickness.

When the sudden demise of a partner of a firm, who was the nerve knot of it, deestabilishes the functioning of the firm, leading to situation of setting lumpsum claims. Insurance provides the fall back upon capital mobilization which is the bedrock on which the edifice of any business firm stands, is met with the help of insurance. Insurance also lends its tremendous services in building up a strong economy and ensuring the steady development of a nation. It also offers its mite in the exercise to stabilize the inflationary trends.

Life insurance as we have it today is a vestige of colonial rule. In it (insurance) there is a close resemblance to the joint family system which has been practised for centuries among the hindus. Joint family provides for all and its sundry members in all climates absorbing into it each and every members contribution towards it. Insurance also stands by its contributors (Policyholders) in the various facts (adverse and otherwise) of their lives.

1.2 LIFE INSURANCE

Life insurance is a contract for payment of a sum of money to the person assured on the happening of the event insured against. Usually the contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or an unfortunate death of the insurer, if it occurs earlier. Life insurance is different from other insurance in the sense that, here the subject matter of insurance is the life of human being.

1.3 NEED FOR LIFE INSURANCE

Life insurance is concerned with two hazards that stand across the life path of every person namely:

i. Dying prematurely leaving a dependent family to fend for itself.

ii. Living to be too old without visible means of support.

To safeguard the policy holders against these risks, the Insurance companies collect premium. They settle the claims on the maturity period or on the death of the insured, whichever is earlier.

1.3.1 Life Insurance provides the following benefits:

i. Life insurance guarantees financial protection against the risk of the death of the policyholders.
ii. It encourages thrift. Long term saving is made painless due to the availability of instalment facilities.

iii. Loans can be raised on the sole security of a policy which has acquired a paid-up value.

iv. A Life Insurance policy is accepted as security for the commercial loan/housing loan.

v. Tax relief in Income Tax is available for amounts paid by way of premium subject to the Income Tax Rules in force.

vi. A suitable insurance plan can be taken to meet specific needs that are likely to arise in future, such as children’s education, marriage provision and so on.

The bundling together of risk coverage and savings is the peculiarity of life insurance⁵.

1.4 STATEMENT OF THE PROBLEM

In life Insurance contracts, generally, the lumpsum assured is payable with bonus either on the death of the policy holder or on the maturity of the policy, whichever is earlier, whereas in other forms of savings, the investor would get only the amount saved with interest. Life Insurance facilitates long term savings through easy instalments called premiums.

There are schemes in SBI Life to bear the educational and marriage requirements of the wards of policyholders. The SBI Life offers pension linked life insurance plans for those who are desirous of keeping their savings to provide for their old age requirements. Unit-linked plans are

offered by the SBI Life for giving an opportunity for the discerning investor to benefit from the returns available in the capital market without going for direct investment in the capital market.

Health insurance is also available in SBI Life today. Tax assessees can avail of tax relief for amounts paid by way of premium for life insurance subject to the income tax rules in force. In such cases, the assured, in effect, pays a lower premium for his/her insurance than he/she would have to pay otherwise. Like this, the utilisation of SBI Life is different from individual to individual.

In order to satisfy the varied tastes of the people, the SBI Life Insurance Company Limited has been introducing a variety of innovative policies. Every policy in SBI Life caters to the needs of different groups of people. In these competitive days, the SBI Life introduces new products with very competitive pricing and returns compared to the offerings of the private players. In this way, the SBI Life mops up the savings from the public for providing the money for welfare schemes.

It is observed that many policyholders have taken more than one policy. It is a clear indication that they are very much interested in utilizing the maximum benefits from SBI Life. Some people give due importance to money value and high returns on their investments. But greater risks are inherent in such investments. Risk coverage, reasonable return and safety are the greatest advantages expected from SBI Life products.

One can continuously utilize the company in various ways by becoming an SBI Life policy holder. The extent of utilization of SBI Life policies also differs from person to person for the above reasons. The extent
of utilization represents the value and the number of SBI Life products purchased thereby availing multifarious utilities and services offered by the SBI Life.

The advent of the other private foreign insurance companies in India has become a competition to the SBI Life. The policy holders once satisfied with the services of the SBI Life started evaluating the services of the other private insurance companies. Thus, the attitude of the policy holders towards the SBI Life has started changing in the present days. There are murmurs at different corners as to the services of the SBI Life. Thus, the present study attempts to analyse the benefits accruing to the policy holders from the SBI Life, utilizing different policies of the SBI Life, the extent of utilization of the SBI Life by policy holders, the factors, which determine the level of utilization of the SBI Life by policyholders, the attitude of the policyholders towards the SBI Life, the motivating factors responsible for becoming a policyholder, the insurance products most desired by the policy holders and the problems faced with the advisors of SBI Life in the utilization by the policyholders.

In this context, it is imperative to make a thorough study of the utilization of SBI Life by the policyholders. Hence, this study assumes importance.

1.5 REVIEW OF PREVIOUS STUDIES

The researcher has referred to the previous studies made in the field of insurance to focus on the extent of utilization of the SBI Life by the policyholders. These references helped the researcher to have a basic
knowledge of life insurance. A Review of the literature related to insurance is presented here.

Jeyaraman R.\(^6\) (1980), Bangalore Insurance Institute has written a technical paper on the corporation. He suggested various methods to develop the insurance business in urban area.

Patki V.V.\(^7\) (1983), in his article, “Marketing of Insurance” stated that it is easier to sell tangible products than intangible products. Selling of tangible products is based on utility. The selling of intangible products like banking or insurance requires greater salesmanship and greater technical skill to persuade the customer to buy such a concept or service. It is still more difficult to sell a life policy. The first difficulty in selling a life policy is that the seller cannot show his product to the buyer. Hence it is the responsibility of the seller to make the buyer understand, then convince and motivate him to buy the product. He has to create in the buyer's mind a genuine desire to safeguard his life. When this need is created, demand would arise. It is for the salesman, therefore, to convince the buyer about his life at the cost of a small premium. Life insurance selling is really tough. No individual will willingly go in for insurance and that is why it is customary to say, in insurance parlance, insurance is never bought, ‘it has always to be sold’. Life insurance is not considered a necessity even by the educated and security conscious class in our society.


Kamal Nayan Kabra\textsuperscript{8} (1986), in his article, “Nationalization of Life Insurance in India” has given a brief history of life insurance in India. One of the main objects of nationalizing nearly 251 private life insurance companies in India was to channelize people's money for people's well being. On the basis of this analysis and link of life insurance business with the broad macro and the sectoral aspects of the Indian economy, an attempt is made to highlight various factors which made the nationalization of insurance an unavailable necessity. The author concludes the life insurance does not give contradictory signals and tilt the power and ideological balance in Indian economy.

The study of Satpal Singh\textsuperscript{9} (1986), under the title “Role of Life Insurance in Economic Development of India”, found in his study that there was a vast scope for the mobilization of savings of households through life insurance. He suggested that the life insurance protection should be extended to irregular income earners too.

Roy\textsuperscript{10} (1987), in his study “Life Insurance Lightens the Hope of the People”, emphasised that the idea of insurance gained momentum due to the growing and increasing uncertainties of human lives in society and also reported that the Rural Career Agent Scheme for the rural masses had made steady progress in highlighting the idea of life insurance in rural areas.

\textsuperscript{8} Kamal Nayan Kabra “Nationalization of Life Insurance in India”, \textit{Economic and Political Weekly}, Vol. XXI, No.47, November 22, 1986, p.22.

\textsuperscript{9} Satpal Singh M, “Role of Life Insurance in economic development of India”, \textit{The Insurance Times}, Vol.6, November 1986, pp.11-15.

Muthupandi, M.\textsuperscript{11} (1988), in his thesis entitled, "A study on marketing of Life Insurance policies by career agents in Madurai city" has highlighted the marketing concepts adopted by career agents in the Life Insurance corporation and also explored the attitude of policyholders towards career agents.

Williams J,\textsuperscript{12} (1988), conducted a study on “Challenge of Administering the Insurance Business”, which identified that the major problems in the insurance industry include the need to limit the expenses within the allowed margins and the need to maximize returns. He also observed that policies in medical insurance had profit margins in good years and sizeable losses in bad years.

Patel H.D.,\textsuperscript{13} (1989) with a title, "An aid to the management" made a survey and suggested to keep the quality of the management information so that it can be decision supportive as it has a dual role in management namely information for decision making and information from control which influences future policy and therefore, needs to have a furistic character. He emphasised that in order to play effectively a helping role, the managers in the life insurance sector should equip themselves with better undertaking of system procedures and control.


Relph Roseman\textsuperscript{14} (1990), in his study on “Life Assurance in South Africa”, highlighted that general climate for insurance in South Africa is unfavorable because of inflation. Life assurance products must compete with those of other financial intuitions and increased taxation will put the life insurance industries at a disadvantage.

Nagammai and Nair\textsuperscript{15} (1991), in their study entitled, “Investment Pattern of Middle Income Group” ascertained that the most popular insurance product among the middle income group was the endowment policy followed by the money back policy. They reasoned that the endowment policy had the combined benefits of compulsory thrift, premature death benefit or retirement benefit. It is also helpful for meeting heavy expenditure in wedding or higher education of one’s children. The money back scheme too had these benefits in addition to the survival benefit of refunding a part of the sum assured in fixed intervals of time, but the premium is higher than that of the endowment plan.

Sharma\textsuperscript{16} (1995), in his book entitled, “Insurance” pointed out that the failure of life insurance is very bright. He also suggested that depending upon the conditions; its availability could be facilitated either through direct state intervention or by its approach of encouragement, supervision and administration or through both the practices.


Gidwani, S.J.\textsuperscript{17} (1996), in his article, “How much life Insurance does a man need”, has stated that once the human life value of an individual is known, he should try to create an estate equal to this value so that should, God forbid, death were to overtake him, his dependents would still continue to have access to the earnings from such estate, thereby mitigating the loss of the person. A Life Insurance contract ensures this earning capacity of the individual. It is a safe way of creating a potential estate at an extremely low cost. It is an ideal instrument to counter the uncertainties of future, a security beyond comparison. Every provider must consider that it is his or her duty to protect the family adequately. An individual who does not insure gambles with the greatest of all values and if he or she dies, makes those who are dearest pay for the loss.

Keenth J. Lestrange\textsuperscript{18} (1996), in his article “Risk Management and Risk Financing Alternatives”, it is clear that the field of risk management, risk financing, insurance and other financial products are evolving and emphasis on innovation, speed, talent and experience. Insurance professionals will be serving ever more sophisticated and demanding clients. The competitors will include the familiar groups to currently compete with, but will be joined by a new breed of competitors from the filed of finance, investment banking, banking and consulting. The decade of the 1990’s can be looked back as a time of revolution in the insurance industry.

\textsuperscript{17}Gidwani, S.J. “How much Life Insurance does a man need”, Secretary General, \textit{Insurance Institute of India}, Bombay, January 1996, p.31.

Madhok K.L.\(^\text{19}\) (1996), in his article, “The Role of Insurance Regulatory Authority of India (IRAI) Sequel to privatization of Insurance Industry”, conducted a survey and analysed the market value concept in a generalized manner. It is obvious that each commodity and all contingencies cannot be dealt with item by item in a write-up of this nature. If the method of approach is understood, quite a lot of confusion that now prevails can be avoided to a large extent. Special situations will still require careful consideration to determine the application of the market value concept in keeping with the principle of indemnity.

Malhotra R.N.\(^\text{20}\) (1996), in his article, “Liberalizing India’s Insurance Industry”, has stated that Insurance affords protection against uncertainties of life, business and trade. An efficient and responsive insurance industry is essential for enhancing the sense of security in the community at large and facilitating economic activity. Life insurance is also an important medium of long term savings. Insurers must aim at covering all sections of the population and different business activities and providing insurance covers to meet the varying needs of individuals, groups and industries at reasonable cost. As the country moves up the technology scale, and the economy becomes increasingly sophisticated, the insurance industry as well as the whiplash of competition to respond constructively, promptly and fairly to the changing and complex demands of its clientele. To that end, it is essential to liberalize the Indian Insurance Industry.


Sundaram, N.M. 21 (1996), in his article “Insurance reforms an invitation to disaster” has stated that insurance in India has a natural monopoly, providing a variety of covers and mobilizing enormous resources for the development of the economy. In other words on such low return huge resources have been mobilized and scarce financial capital is provided by the life insurance corporation at the cheapest rate. This is a sufficient reason to retain this industry in the public sector with its monolithic character. In fact, in the indicant situation with its huge income disparities competition will drag the LIC and the GIC into a war of attrition. In the process, their resource mobilization effort would be undermined. Insurance is a highly protected market in the advanced industrial countries and is to be developed in the world countries like India.

Sathya Narayana Rao R 22 (1997), in his study entitled, "Life Insurance selling - A case study of Drop-outs", analysed the dropouts in relation to age, education, experience and area of operation. He found that a large number of agents discontinued from their services; a majority of them were in the first year of their agency, 82 per cent of the agents who discontinued were below 35 years of age.

Srinivasan, C.R. 23 (1997), in his article “Savings through life Insurance” states that it offers security to the individual and his dependents against A unkind fate and certainly the savings target fixed by the

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policyholder has to be reached if the benefits are to be realized. The author has also appreciated that the amendment to the payment of wages act has enabled employers to deduct the premium from salary and pay it direct to the Life Insurance Corporation.

Singh L.P.\(^{24}\) (1999), in his study “Privatizing Insurance - An analysis”, found that despite the overall growth of insurance, several lines of business have not been sufficiently developed and there was a vast untapped potential. Since nationalization, the regulation of insurance industry has atrophied.

Rangachary\(^{25}\) (1999), in his study “Insurance the unfolding Scenario”, found that the deregulation and the opening up of markets will increase competition, cut costs and rationalize business activity. He also opined that the consumer would benefit from lower insurance prices in the long run. The deregulation of insurance will lead to a greater range of innovative and customer oriented products.

Ajit Ranade and Rajeev Ahuja\(^{26}\) (2000), in their study “Issues in regulation of Insurance”, pointed out that regulation is an imperative at the commencement of competition especially in the insurance sector which is vulnerable to market failure. Apart from the protection of consumer interest the regulator's main brief would also be to conduct a fair competition but


not let it become ‘cutthroat competition’ that results in multiple bankruptcies and market implosion.

Selvaraj V.M.\textsuperscript{27} (2000), in his article entitled “The Opening towards, the Life Insurance Scheme”, has recommended the Life Insurance Corporation to advise the agents to meet the policyholders regularly and to give necessary information needed by them.

Tuhin S. Banerjee\textsuperscript{28} (2000), in his study entitled "Corporate Governance in Indian Insurance Industry”, highlighted that Indian Insurance did away with the hypocrisy of just giving lip service to corporate governance. There will be considerable trauma in making the transition from traditional to contemporary governance practices, in bridging the credibility gap caused by the gap gulf between expectations and reality. This is the birth of a new Indian insurance industry and birth is always a painful process. But once this is done the world will be a far better place to live in.

Abdul Rahuman\textsuperscript{29} (2001), in his study entitled, “Service as a spear and shield”, identified that prompt, efficient and effective service blended with utmost courtesy and palpable empathy alone can provide organisations the much needed edge that will enable them to forge ahead and ensure them growth and clothe them with the best form of protection in a competitive environment. Marketing wizards reveal that service of the above order will

\textsuperscript{27}Selvaraj, V.M. The Opening towards the Life insurance Scheme”, National Co-operative Union of India, Vol.112. No.13, August 2000, p.47.


\textsuperscript{29} Abdul Rahuman, P.S.H.M. "Service as a Spear and Shield", Southern Splendour, June 2001, p.6.
simply be the best weapon of offence and defence in a keenly contested business arena.

Amarnath Sinha (2001), in his study entitled “The service Ideal”, opined that in competitive times the quantity of service will be a distinguishing quality of the insurers and hence the prospective customer will choose among insurers depending upon the quality of services.

Kutty S.K. (2001), in his study entitled, “The principle of mutuality and finance Intermediation the case of life insurance”, found that the savings role of life insurance contracts brings the application of the mutuality principle in savings which involves the pooling and evening out of both mortality and financial risk. This is done by spreading the risk across various individual lives, different kinds of contracts and finally various generations of policy holders.

Narasimha Rao (2001), the "Performance of the public sector - An overview of Insurance Industry”, critically analysed that liberalisation and privatisation cannot solve the basic problems of a developing country like India. Privatisation would only add the possibility of corruption and fraud and weaken the gains that the economy has already experienced from the expansion of this sector. He also pointed out that genuine positive reforms are required for generating especially rural business in the insurance sector by retaining the business in public itself.


Rama Krishnan\textsuperscript{33} (2001), in his study entitled, “Insurance Exit State Monopoly”, showed that there is high expectation among the public that the opening of the insurance sector and the entry of multinationals will not only lead to the introduction of innovative plans of insurance but also result in significant reduction in premium rates. He also suggested that in order to achieve a better penetration into the untapped group insurance market potential, a life insurance company need not recruit an army of agents. A small band of well trained professionals (say MBAs) with computer support, will be sufficient.

Rangachary\textsuperscript{34} (2001), in his study entitled, “Insurance Regulator’s Crucial Role”, highlighted that exposure to global competition is a powerful force that drives improved efficiency, lower costs, and promotes innovation and professionalism in the markets. The industry had to get going not slowly but quickly in to high gear. There is scope for developing alternative distribution channels, which are often more efficient. The alternatives include independent intermediaries, bancassurance, direct marketing, internet and tele marketing.

Varma and Agarwal\textsuperscript{35} (2001), in their book “Insurance” pointed out that life insurance is superior to an ordinary savings plan because it affords full protection against risk and death. There lies an inverse relationship


between investment and protection. For a lower investment, the protection will be the highest in the event of premature death.

Rinkee Chaudsari\textsuperscript{36} (2002), in his article, “Customer services as a source of competitive advantage”, felt that after the entry of new players in the Indian insurance sector, there has been expectation for better customer service, especially in the areas of claims, settlement and insurance of policies. An analysis of the current services delivered by the insurance companies to the customer expectation implies significant gaps. The existing players have to refocus their strategies to stay competitive in future and the new entrants will have to be patient and willing to sacrifice profits initially for building long term business.

The Hindu dated January 6, (2002) published an article entitled\textsuperscript{37}, “Insurance of sure” and it specifically says that many private sector players typically in association with foreign insurers have jumped into the fray sensing a huge opportunity in the market. But it is early days, yet for private insurers has been in operation for just about a year now.

Jagannathan U\textsuperscript{38} (2002), in his article, “Trend setting Insurance Industry”, says that ever since liberalizations the Indian insurance industry has covered long distances in a short time. It has set trends for other financial services to follow. For instance, the professionalization of the insurance intermediaries is one notable aspect that the mutual fund sector


could follow. He compares life and non-life insurance players. It is clear that the new life insurers are trendsetters. After the term assurance, the current trend is in favour of unit linked of a mutual product and life insurance policy.

Rangachary N.\textsuperscript{39} (2003), in his article entitled, “Life insurance vision for the future”, pointed out that many new Indian private Insurance players will need to cope with the challenges of working with a joint venture partner. They will be competing with large and well entrenched government owned players. They have to overcome regulatory hurdles, change the attitude of new security and satisfy some very high customer expectations. Also, the player will have to consider the Indian market as a long-term investment and maintain clear cut objectives and constant monitoring at all levels.

Anup K. Mathur\textsuperscript{40} (2003), in his article, “Data Management and Data Tariffing” opinioned that a data warehouse combined with data mining techniques provides intelligent business inputs and plays a vital role in all the areas of insurance operation like corporate strategy and management, finance and asset management, sales and marketing, customer management, risk modeling, business intelligence and strategic decision making.


\textsuperscript{40}Anup K Mathur, “Data Management and Data Tariffing”, \textit{IRDA Journal}, April 2003, pp.17-19.
Arunachalam M.41 (2003), in his article “Data Mining the Secret Weapon”, felt that business intelligence is implemented through online analytical processing and data mining. Analytical processing answers business questions and therefore helps in business decisions. Business intelligence is derived out of the consolidated data available with the insurance companies.

Sreedevi Laskhmikutty and Sridharan Basker42 (2003), considered that intermediaries should be empowered with the right learning, training and sales tools and technology enablers coupled with the right product mix, this will help the insures to survive and flourish in this competitive market.

Sandeep Kaundal43 (2003), in his study entitled "We've come a long way", felt that post liberalization, the Indian insurance industry has come far and to continue the trend there is a constant need to examine the key issues and outline the possible trends, opportunities and challenges in this sector so that we can match international standards both in terms of market size and customer satisfaction.

Jawaharlal U.44 (2003), said the prerequisite for the success of any distribution channel would be tremendous rise in level of insurance awareness.


Lowe and Samirsha P.\textsuperscript{45} (2003), in their article entitled "Terrorism Insurance" observed that Terrorism Risk Insurance Act (TRIA) has given insurers a window of opportunity to develop a market for terrorism insurance. But insurers must gather necessary exposure data, perform exposure concentration analysis or other loss cost modeling, identifying risk factors, develop rates that reflect risk factors and notify policyholder.

Periasamy P.\textsuperscript{46} (2003), in his book entitled, “Principles and Practice of Insurance”, pointed out that the opening up of insurance to the private sector will substantially help in enhancing savings mobilization, offering a new range of insurance products covering a large population and increasing the average per capita insurance premium and this would be channelized for infrastructure development.

Rangachary N.\textsuperscript{47} (2003), in his study on “Life Insurance - Vision for the future”, observed that despite its teeming one billion population, India still has a low insurance penetration of 1.95 per cent which is 51\textsuperscript{st} in the world. There are 8.50 lakh life insurance agents in India and the qualitative selection of agents by insurers is imperative to gain the cutting edge. He identified that 12 per cent of the world’s insurance products is sold through the internet. He also suggested that insurers must constantly explore avenues to increase the number of distribution channels through a variety of


distribution pattern like internet, telemarketing, bancassurance and call centers.

Natarajan V.⁴⁸ (2003), in his study, “Opening of the Indian Insurance Industry”, says that all the organisations and companies involved in selling insurance products should take effective steps to remove the ignorance of the general public with regard to the benefits of insurance and also improve public awareness about various products. More problems are created at the time of claim settlement due to lack of awareness of the risk coverage and policy conditions. Policy wordings should be made as simple as possible for the general public to understand, so that the image of the insurance industry in general is enhanced.

Peter J Valentine⁴⁹ (2003), in his article, “Tariff Restrict Choice”, says, it is time to develop the skills, knowledge and experience that will support a vibrant and innovative general insurance industry that really responds to the customers’ needs. Tariffs do not do that and the sooner they are disbanded the better for both the industry and the customer.

Mony S.V.⁵⁰ (2003), in his study entitled, “Life Insurance Private Players Initiatives”, observed that as per the Insurance Regulatory and Development Authority (IRDA) regulations, all insures have an obligation to fulfill in the rural and social sectors. They have to sell 5 per cent of the total policies in the first year, 7.5 per cent in the second year and up to 15


per cent in the fifth year to the rural sector. In the social sector, insurers are required to insure 5000 policies in the first year, 7500 in the second year and up to 20,000 lives in the fifth year and beyond. To comply with the rural obligations, the private players have tied up with panchayat heads and non governmental organisations. He expected that insurance will gradually cease to be a mere urban phenomenon.

Joseph et. al,\textsuperscript{51} (2003), in their study, “Insurance Customers, Assessment of Service Quality : A Critical Evaluation” observed that insurance agents should constantly monitor the level of satisfaction among their customers to keep themselves close to the customer for fulfilling their needs.

Luarn et.al,\textsuperscript{52} (2003), in their study pointed out that the degree of success in the implementation of enterprise mobilization in the life insurance industry is positively correlated to the management performance of external aspects like providing increased customer satisfaction.

Hellier et.al.\textsuperscript{53} (2003), found that in insurance purchase brand preference is an intervening factor between customer satisfactions and


repurchase intention and the main factor influencing the brand preference is the perceived value and customer satisfaction.

Jingyi Chen\(^{54}\) (2003), in her/his study, “Accounting for Life Insurance Holdings: Evidence from German Socioeconomic Panel Studies”, studies the demand for life insurance holdings in Germany within an economic framework. The study examines the driving forces behind the life insurance demand with the data from German Socio-Economic panel studies. The study also finds that bequest motives are quite strong among the households with children in holding life insurances, being unemployed has a significant negative effect, and being unemployed has a significant negative effect and higher marginal tax rates are related to higher demand for life insurances due to tax incentive scheme in Germany.

Awasthi H.K.\(^{55}\) (2004), said that lack of proper explanation of the terms of the insurance contracts and misconceptions about their nature as fixed income investments are the leading reasons for consumer grievance.

Susan Matthics and Kenneth R. Cahill\(^{56}\) (2004), opinioned that India can expand its health insurance market through right policies and stringent regulations. This would bring quality care at reasonable care to the teeming millions. He also felt that the absence of a substantial and accurate database
addressing morbidity and mortality and beneficiary and claims related information is especially handicapping the development of health insurance.

Rajeev Ahuja\textsuperscript{57} (2004), in his study “Insurance over the transition”, highlighted the fact that even though the public insurance companies still dominate the market, the fruits of competitions are already visible in terms of the wide range of products, innovative building of insurance with other financial services, aggressive marketing and better customer care. With the spread of insurance, people are beginning to think of insurance as a real service instead of being driven merely by tax incentives or statutory insurance requirements.

Gurusamy S.\textsuperscript{58} (2004), in his book entitled, “Financial Services and System”, viewed that with the liberalization of the Indian economy, the insurance industry is witnessing phenomenal growth and development with a large number of players, especially the private players in the recent part.

Rao C.S.\textsuperscript{59} (2004), in his article, “Insurance Industry – A Regulators Perspective”, said that rural and social sector coverage can be placed upon the insurers to cover a certain minimum number of lives under the health insurance policies, and a certain minimum amount of health insurance premium to be underwritten, will go a long way in improving insurance penetration and coverage thereby fulfilling IRDA’s role in the development of health insurance in the country.


Abheek Barua\textsuperscript{60} (2004), in his article entitled “Bancassurance new concept catching up fast in India” pointed out that in India the concept of bancassurance appears to be gaining ground quite rapidly both through commission based arrangements and joint ventures between banks and insurance companies. He also highlighted that according to the SBI Life Insurance estimates about 15 percent of the gross premium of new insurance players in the financial year 2003 came through bancassurance. While bancassurance does provide an apparently viable model for product diversification by bank and a cost effective distribution channel for insurers, there are some potential areas of conflict between the two that need to be ironed out.

Khan M.Y.\textsuperscript{61} (2004), in his article entitled, “Corporate Governance to create Insurance Movement”, Pointed out that in an insurance company, corporate governance is supposed to protect and maximize the interest of holders of insurance policies and orderly growth of insurance services. At the outset it may be recorded that insurance industry which is going through reforms should grow on a set of pro-competitive rules and regulations to secure competitive, solvent and fair markets. There could be many constituents of corporate governance in an insurance company namely, shareholders, board of directors, management, policyholders and intermediaries. In the insurance industry the most crucial stakeholders are the insurance policyholders followed by the shareholders.

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Guria R.C.\(^{62}\) (2004), in his article entitled, “Alternative Risk Transfer - A New Dimension and Technology of Insurance” pointed out that through the insurance new dimension and technology is the principle and process of risk management and spread of risks, the revolutionary development of insurance operation today has given birth to new concept and character of insurance operation through the new technology of ART (Alternative Risk Transfer). The service sectors like banking and insurance have been prepared for the world over fundamental economic changes with new mechanism or technology called the Alternative Risk Transfer technology to combat with the incidence of costly catastrophes, insurance losses which cannot be covered by the traditional technology of insurance and reinsurance.

Raman N. and Gayathri C.\(^{63}\) (2004), in their article entitled, “A study on customers awareness towards new insurance companies”, inferred that because of the new companies and their various schemes and low premium the investors have a forced / attraction to invest in the new companies. The new companies as well as the existing companies should develop a suitable strategy to attract and retain their customers/investors. These companies can protect not only the investor’s interest but also the interest of the companies at large.


Jessica Feldmen\textsuperscript{64} (2005), in his article “A roaring rural market”, felt that the IRDA’s involvement in creating regulations to address the needs of the rural needs has played a tremendous role in getting insurance companies to pay attention and serve this neglected market. The author believes micro insurance will be a win-win situation for all parties involved. The author observes that data tracking is critical to the success of health insurance programs.

James P.C.\textsuperscript{65} (2005), in his study, “The Insurance King Pin”, said that the challenge for the organization is to build and sustain an underwriting and research and development culture, to establish and live by a clear set of principles, and to focus relentlessly on execution in the face of contrary market practices.

Ramakrishna V.\textsuperscript{66} (2005), in his article, “Broker as Bridge” claimed that brokers know the pulse of the customers and therefore can help underwriters with their actual data as well as risk management skills.

Krishnan N.\textsuperscript{67} (2005), in his study entitled “Bancassurance - Maturing Markets”, stressed that the customers have turned to the idea of buying an insurance product through their banker and the success rate is on the increase. Special campaigns organized in banks are also yielding excellent result especially in sales volume.


Sharma Ravi Kumar\textsuperscript{68} (2005), performed a study on “Insurance Perspective in Eastern-up” with the objective of probing in to the factors behind the purchase of the insurance product. It was found that according to 93.86 percent of respondents insurance policies are considered indispensable for risk protection.

Krishna Kumar’s\textsuperscript{69} (2005), article highlights LIC’s rural penetration, inherent problems in implementation, growth over the years, social schemes for the rural poor and the ‘Bima Gram’ program. The study indicates that nearly 55 per cent of its new, individual policies have come from the rural sector. Its performance stands miles ahead of the private players. But, amongst the insurance products available, very few are tailor made for the rural population.

Rajesh C. Jampala\textsuperscript{70} (2005), in his article entitled “Insurance Sector : Emerging Distribution Channel”, pointed out the benefits of bancassurance that SBI Life Insurance company a predominant player in bancassurance is positive about the channel bringing about a transformation in the way insurance has been sold so far. The company is banking heavily on bancassurance and plans to explore the potential of the State Bank of India’s 9000 Plus branches spread across the country and also its 4000 plus associate banks. He also pointed out that multi-channel distribution and


\textsuperscript{69} Krishna Kumar, “LIC - Making Inroads into Rural India”, \textit{Insurance Chronicle}, 2005, pp.42-49.

marketing of insurance products will be the smart strategy for the Indian insurance market.

Mony S.V. (2005), in his article entitled “New Initiatives in the Insurance sector: Opportunities and Challenges”, stressed that the co-operative sector and the micro-credit organisations might help in the penetration of insurance in the rural areas by formulating low cost policies. He also stressed that good customer service and information technology might help insurance companies in the penetration of insurance products into urban areas.

Krishnamurthy S. (2005), in his article entitled “Insurance sector challenges of competition and future scenario”, concluded that the limited availability of data on policyholders, the low awareness among policyholders, the inadequate infrastructure and technology are the major problems of the insurance industry in marketing its products.

Sandeep Bakshi (2005), in his article entitled, “Integrated Approach: Key to Growth and Development” stressed that multi product, multi-channel and multi-segment routes might help the insurance industry to improve the penetration level in the domestic market.

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Prakasha Roa B.K.S. and Venketeswara Rao B.H. ⁷⁴ (2005), in their article entitled, ‘Buoyant Rural Markets” concluded that the establishment of micro - branches and the appointment of specialized insurance agents in rural areas help policyholders to market different insurance products.

Kumar Jagendra ⁷⁵ (2005), in his study, revealed that the life insurance penetration in India is just about 2 per cent of GDP. The life insurance premium per capita is just ₹550. The LIC is the largest player with over 2000 officers. After liberalization, it has improved its efficiency and customer service. Among the private life insurance companies the ICICI Prudential Life Insurance and the Birla Sunlife are the first and second largest players. Other prominent companies in competition are the Bajaj Allianz, the HDFC standard Life, the Kotak Mahindra, the ING Vysya Aviva Life, the Metlife, etc.

Krishnan N. ⁷⁶ (2005), in his article entitled, ‘Bancassurance - Maturing Markets”, pointed out that some of the private insurance companies who have pioneered bancassurance have a substantial share of their business from the banks, the ICICI Pru, the HDFC, the Birla Sunlife, the Bajaj Allianz all claim to have over 30 per cent of their business from bancassurance. For the Aviva and the SBI Life almost all their business comes from bancassurance. These results are ample proof of the power and potential of bancassurance and in an emerging market like India this channel


provides the right forms of intermediation to sustain growth, increase penetration and facilitate maturity in the market.

Jaburullahan J. and Ramalakshmi P.\textsuperscript{77} (2005), in their article entitled ‘The Spectre of Privatisation of Insurance”, pointed out the reasons for the privatization of insurance industry and also the reason against privatization. The study also entitled some of the private life companies such as ICICI Pru life, Kotak Mahindra, the SBI Life and other such private companies which pay more to their policyholders besides extending the benefits to cover almost all the members of the family, than those run by the government.

Vinayagamoorthy A. and Gobi R.\textsuperscript{78} (2005), in their article entitled, “Life Insurance in the Global Era”, listed some of the private life insurance companies including the SBI Life with the date of registration as 30.03.2001. They concluded that the Indian insurance market is becoming more aggressive day - by - day. The opening of the Insurance sector paved the way to generating phenomenal growth in the Insurance business and innovation and introduction of new products. It has become a complex situation for the buyers of insurance product due to a variety of products and a multiplicity of choices before the customer. The study focuses on the marketing strategy to be adopted by the modern insurer to retain the existing customers and to attract new ones in this global era.


Padmaja B.⁷⁹ (2006), in her article entitled “Money Laundering in Insurance Business” pointed out that the most common form of money laundering that insurance institutions encounter takes the form of a proposal to enter into a single premium contract, lump sum top-ups to an existing life contract. These contracts in themselves may be merely one part of a sophisticated web of complex transactions, which will often have their origins elsewhere in the financial services sector.

Sandeep Batra⁸⁰ (2006), in his article entitled “The Insurance Scenario and Opportunities for CAs”, highlighted that private players have been very innovative in designing different products for various needs. This has led to some of the best product innovations in the financial services sector in terms of pension products and retirement solutions, as well as insurance solutions which offer opportunities for returns, in line with the risk bearing capacities of various classes of consumers. He also pointed out that private players have also taken a lead in identifying newer distribution channels, like, alliances with banks and corporate agencies to enable these new companies to reach a wider distribution base, as well as provide a one stop shop to the consumer for his financial needs.

The SBI Life Insurance managing director Krishnamoorthy, S.⁸¹ (2006), said in an interview with newpersons that the company is in talk


with one public sector general insurance player for its micro-insurance foray. Sources said that since the New India Assurance products are distributed through the State Bank of India’s network of branches, it is a natural choice for SBI Life to choose the New India Assurance as their partner.

Rajesham Ch. and Rajender K.\textsuperscript{82} (2006), in their article entitled, ‘Changing Scenario of Indian Insurance Sector”, pointed out that realizing the vast potential in the Indian market, foreign insurance companies started entering into India and even banking organisations like the SBI, the ICICI etc also showed much interest in insurance business. This is being attributed to global technology and conversions of services as a result of which that Indian Insurance market registered that highest growth in the Asian region even though Indian’s share of global insurance premises is less than 0.5 percent (1998) than that of US24.2 percent and Japan 21 percent.

Jagendra Kumar\textsuperscript{83} (2006), in his article entitled "Upheavals in Insurance Industry of India", Pointed out that the IRDA is set to insist on option on all unit linked policies, which allow a policyholders to stay invest in a fund even after the policy mature. This is aimed at protecting the policyholder if there is a downturn in the stock market.

Pugazhenthi V. and Sunitha C.\textsuperscript{84} (2006), in their article entitled “CRM in Insurance Industry”, opined that a typical insurance company has


a huge customer base, varied product lines, multiple distribution channels and a market with a geographical spread. To effectively interact with the customers and design suitable products, the insurers CRM strategy has to fully utilize the potential of technology. The insurer has to leverage a vast pool of data at each step in the CRM process, and use the insight gained for developing new products and services to meet the ever changing needs of the customers.

Syed Ibrahim (2006), in his article entitled “Growing consumer awareness in highly competitive insurance sector”, pointed out that in recent years, the consumers union has published reports on automobile and life insurance companies covering claims handling, cancellation, relative cost, customer satisfaction and other characteristics in its magazine. Consumer reports and other periodicals also carry information on insurance and insurance companies. He also specified that the insurers are required to maintain solvency margins, so that they are in a position to meet their obligations towards policyholders with regard to payment of claims.

Rajeev Kumar (2006), in his article entitled “Indian Insurance Industry Opportunities waiting to be tapped” highlighted that insurance industry in economy is very pertinent to its development. The industry contributes to GDP and can act as a catalyst to accelerate the growth of economy. Besides contributing to the GDP, the insurance industry also has a great social significance. It is associated with disasters, calamity and loss and suffering, which cause turbulence in industry, companies commerce and


86 Rajeev Kumar, “Indian Insurance Industry Opportunities waiting to be Tapped”, Civil Services Chronicle, August 2006, pp.30-34.
community insurance companies generate funds out of insurance premium collected and helped in uplifting the economy.

Sadhak.H\textsuperscript{87} (2006), in his paper, “Life Insurance and the macro economy - Indian experience” indicates that there is a significant relationship between the demand for life insurance and various macro economic variables. The high growth of GDP induces an economic effect through higher per capita and disposable income and savings which in turn create a favourable market demand for life insurance. On the other hand, life insurance also provides support to the capital market and savings data pertaining to Indian life insurance and macro economic variable broadly indicate a close relationship and interdependence between macro economic variables and life insurance demand.

Bodla B.S. and Sushma Rani Verma\textsuperscript{88} (2007), in their study entitled ‘Life Insurance Policies in Rural Area: Understanding Buyer Behaviour” concluded that respondents belonging to the age group of 31-40 dominate the rural insurance market and the women's segment is still untapped in rural areas, only 12 per cent of the total respondents were females. They also found that agents are the most important source of information and motivation as rural people just take a policy which the agent suggests to them. A large number of respondents have got themselves insured for life risk coverage and for future contingencies. It is also found that the money back policy is the most preferred policy in rural areas and the LIC has got the maximum (93 per cent) market share among the various life insurance


players. They also observed that most of the respondents were found to be satisfied with the performance of the insurance companies and the role of advertisements is still not up to the mark in motivating rural people to buy insurance policies.

Fulbag Singh and Sonia Chawla\(^89\) (2007), in their article entitled, “Life Insurance Regulatory Framework in India: Developments Issues and Concerns” concluded that it will take some time for the regulatory changes in the insurance industry to yield results, particularly in the aftermath of privatization the policyholder interest is the most significant area for new developments in regulatory powers and it needs to be closely monitored. Consumers are best served when the markets supply them with financial products and services which are highly competitive and innovative whilst at the same time being subjected to sufficient controls with an objective to avoid failures of the companies and avoid frauds upon the consumers. While regulation is important and required for the overall interest of industry as well as the policy holders, at the same time over regulation can hamper the growth and development of the industry. So regulation should be so designed that it should achieve the objective of protecting consumer interest efficiently.

Rashmi Abichandani\(^90\) (2007), in her article entitled “Policy holders Interest Protection : Review of the Insurance Ombudsman Scheme” concluded that the insurance industry in India which has seen six years of


liberalization is set to grow, given the vast untapped insurance market. However, the insurers and the intermediaries should also ensure that they know the needs of the customer and offer the best suited product and after explaining to the customer the details of the same. Further though the contract of insurance is a bilateral one the terms of contract are mostly prepared by the insurer with the policyholder having little or no choice regarding it. If the contract is drafted in simple understandable language and the exclusions, time limit for making claims etc., are clearly mentioned, the policyholders' grievances can be reduced. The insurer should also ensure that the genuine claims are not repudiated on technical grounds and ensure that the grievances are minimized. Nevertheless there is indeed a need for independent body like an ombudsman to provide quick and inexpensive relief to the policyholders.

Paromita Goswami\(^{91}\) (2007), in her study entitled “Customer Satisfaction with service quality in the Life Insurance Industry in India”, attempts to understand the dimensions of service quality which help ensuring maximum customer satisfaction and hence, help life insures to acquire a large share of the market. The researcher concluded that with the increase in the overall market size of the industry as well as increasing competition since 2000, different players of the industry should invest to improve the customer relationship. This would naturally require giving more emphasis on giving training to the insurance agents.

Qaiser R.\(^\text{92}\) (2007), in his article named “CRM in public sector General Insurance Companies in Liberalized De-Tariff Regime”, opined that the pricing of an insurance product has to take care of all cost elements. To keep the price competitive, all costs must be kept at base minimum. The CRM initiative can be of help in this effort. The CRM is also an opportunity which can be leveraged for customer communication and convenience and development of market and for bringing overall operational excellence.

Madabhushi Sridhar\(^\text{93}\) (2007), in his article entitled “The second phase of reforms in Insurance sector conflicts and controversies”, concluded that the interests of policy holders, the promotion of the Indian owned insurance industry, the total and adequate coverage of all classes of people in all kinds of risks in this vast country, the strong and effective regulatory mechanism with efficient grievance redressal procedures must be the priority of any reforms in the Insurance Industry.

Hasanbanu S., et al.,\(^\text{94}\) (2007), in their study entitled, ‘A study of the Insurance perspective in Uthamapalayam Taluk”, found that 46 per cent of the sample respondents come under the category of low investment level, 30 per cent had a medium level of investment and 24 per cent had a high level of investment in the LIC. The study also shows that 70 per cent of the sample policy holders are below 40 years and 24 per cent are above 40


years, 48 per cent have completed school education and 52 per cent are graduates, and 54 per cent of the policyholders are salaried individuals. They also suggest that the product terms and conditions should be transparent to the people and they should be simple for the public to understand.

Govindan K.95 (2007), in his article entitled ‘Customer service”, pointed out that unlike in business industry, insurance industry being engaged in service marketing has to have a special scheme of things to ensure customer satisfaction especially because what the industry offer is promise of future performance customer response is unpredictable and therefore the level of customer satisfaction in a given condition is not discernible. The training and awareness campaigns etc., could of course go a long way in creating customer consciousness but are not a guarantee for achieving customer satisfaction.

Imtiyaz H. Dhalait96 (2007), in his article entitled, “Customer service is the essence of insurance business”, opined that there are several reasons why banks enter bancassurance. The most important reason is to increased return on assets (ROA), assuring a constant asset base, buy increasing their income by selling insurance products through their own channel. He also pointed out that the SBI Life Insurance Company., A joint venture between the State Bank of India and the Cardif S.A, is a predominant player in bancassurance. It currently sells 20 percent of it’s polices through 268 bank

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branches. It plans to use all of parent State Bank of India’s 900 branches and the associate banks’ 4000 branches.

Ramachandran T.\textsuperscript{97} (2007), in his article entitled ‘Issues of insurance industry in India', pointed out that ever since privatization happened in 2000, the insurance advertising and public relation industry have got a new lease of life. Much of the advertising activity is aligned to financial planning. Traditionally, the months before March are the ones when insurance players try to create visibility around their brands. However the ICICI, the prudential Bajaj Allianz, the HDFC & the Standard Life and the SBI Life have used both advertising and public relation for a crucial financial service effectively and it shows in their ranking.

Krihnamurthy S.\textsuperscript{98} (2007), in his article entitled. “Life insurance less rigid norms may help”, pointed out that the share of India in global life insurance is a meagre 0.66 percent. There has been tremendous growth since liberalization of life insurance. He concluded that life insurance is poised for substantial growth in the times to come. The current focus of insurance has been the acquisition of new business and market share. The real challenge is to retain and service these customers.

Sudarsana Reddy G.\textsuperscript{99} (2008), in his article entitled “Customer perception towards private life insurance companies, policies with reference

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to Bangalore city”, pointed out that with respect to the insurance business, liberalization means allowing private enterprises including MNCs, to operate in the area, which was hitherto monopolized by the Government of India. The Government allowed private players to offer insurance cover to Indian citizens several MNCs in joint venture with private sector firms, and they have started operations in a big way. The prominent private players active right now are the ICICI pru life. The Max New York Life, the HDFC Standard Life, the Birla Sun Life, the SBI Life and the Bajaj Allianz.

Basavanthappa C. and Rajanalkar Laxman100 (2009), in their article entitled, ‘Performance of Life Insurance Companies. A comparative study”, concluded that the private insurance companies have made their presence felt and over the last nine years have achieved a remarkable progress. There is a big opportunity to the companies in the Indian life insurance sector and there is death of business. The companies have to bring out innovative products to suit the different requirements of the public. A healthy competition in the sector would be beneficial to both the players and the public.

Ayem Perumal S.101 (2010), in his article entitled “Impact of Economic Globalization and Consumer Expectation in Life Insurance” concluded that the Indian insurance sector had adopted the path of liberalization and consequently both the positive and the negative impacts of globalization on the economy have been felt. The business environment for


the insurance sector is changing fast, bringing new opportunities as well as posing challenges. The opening up of the insurance sector to the private players has definitely been a positive development. The socio, demographic and psychographic trends in the liberalized era are very favourable for the growth of the insurance sector.

Nagaraja Rao K.\textsuperscript{102} (2010), in his article entitled “Changing Rural Customer Profile: A case with Life Insurance”, concluded that the preference of customers are changing towards investment policies in India. Customers also prefer annuities and family policies if the benefits are properly explained to them. In tune with the changing preferences, the distribution strategies also undergoing change. Banc assurance and alternate channels are on the ascendency and have great growth potential. Unlike in mature markets the internet business is yet to catch up in India.

Chandra Mohan V. and Ramachandra K.\textsuperscript{103} (2012), “in their article entitled "marketing strategies of private insurance companies”, suggested that the penetration of insurance in the country even in comparison to the level of penetration obtaining in the emerging market economics is awfully poor. This in spite of the fact that the size of the middle class in the country is way ahead of the population of individual countries in Europe. Insurance would therefore do well to cover the vast section of unorganized workers forthwith. They also concluded that the advent of private companies has led to increased coverage of life risk. All the same, there is scope for every company to grow and contribute to the social security of the people of India.


Rajeswari K. and Kartheeswari S.¹⁰⁴ (2012), in their article entitled, “Purchase Decision of Life Insurance Policyholders: An Outlook” suggested that agents and development officers should go again and again to their existing customers as the same customers can give more business to them, since it is five times more costly to get a new customer than it is to sell to an existing one. The study also shows that the majority of the policyholders were satisfied with the policies and preferred new innovative marketing insurance plans and policies at different times, and most of the respondents came to know about the services through agents. Therefore, the success of the insurance industry can be achieved only if the company can create the right environment, good rapport with agents and evaluate the expectations and perceptions of customer's the culture and attitude of the employees to serve the customers better.

1.6 RESEARCH GAP

After going through the relevant literature relating to the topic, it is observed that no systematic research study has been made to assess the utilization of life insurance product of SBI life in Thirunelveli district. All the studies conducted so far were concentrated mainly on public sector life insurance corporation such as Life Insurance Corporation of India and not on private life insurance companies. In the present study, the utilization of life insurance product of SBI life, the business performance of SBI life, the attitude of policyholders towards the services of SBI life and its advisors, problems faced by the policyholders have been analysed in detail. Hence, it is hoped that many of the research gaps existing on the field are filled by this study.

1.7 SCOPE OF THE STUDY

The study can be analysed from two angles. One is from the angle of the SBI Life which promotes life insurance service to the policyholders. The other is from the angle of the policyholders who utilise various policies and other services of the SBI Life. In the present study utilisation has been attempted from the point of view of policyholders. Hence the study covers the level of utilisation, factors influencing the level of utilisation, attitude towards the various services of the SBI Life and its operational efficiency.

1.8 OBJECTIVES OF THE STUDY

The present study has the following objectives:
1. To study the various life insurance plans administered by the SBI Life at present.
2. To study the operational performance of the SBI Life in Tirunelveli District.
3. To evaluate the extent of utilisation of different policies by different policy holders in Tirunelveli district.
4. To locate the factors which influence the extent of utilisation of the services of SBI Life by policyholders in Tirunelveli District.
5. To identify the attitude of the policy holders in Tirunelveli District towards the SBI Life and its advisors.

1.9 OPERATIONAL DEFINITION OF CONCEPTS

1.9.1 SBI Life

SBI Life is used to denote the SBI Life Insurance Company Limited, a private life insurance company which is providing insurance and other related services to the public in India.
1.9.2 Utilisation

Utilisation means making use of and the extent of availing the various insurance plans and the accruing benefits offered by SBI Life to the policyholders.

1.9.3 Policyholder

A policy holder is a person who has taken at least one life insurance policy from any of the branches of the SBI Life.

1.9.4 Insurance Policy

An Insurance policy is a product offered by the SBI Life to the public.

1.9.5 Policy Lapses

Failure or cancellation of policy due to non-payment of premium even after the expiry of the grace period, by a policy holder.

1.9.6 Survival Benefit

The sum assured is paid in installments when the policyholders survive during the term of the money back plans.

1.9.7 Risk coverage

Risk coverage means the sum assured to be payable by the SBI Life to the dependents of the deceased policy holder in the event of his premature death.

1.9.8 Attitude of Policyholder

The Attitude of policyholders means the opinion or the view of the policyholders relating to the services of SBI Life.

1.9.9 Awareness of Policyholder

It means the bundle of knowledge possessed by policyholders about the SBI Life and its products.
1.9.10 IRDA

It means the Insurance Regulatory and Development Authority which came into force in 1999 for regulating the operations of all insurance business in India including the private sector.

1.9.11 Waiver of Premium Rider Benefit

In the event of the death of the proposer, the cover for the Life Assured under the base policy continues and the future premiums under the base policy, payable during the rider term, will be paid by the company. Rider is an additional benefit along a life insurance policy. It cannot be taken completely on its own. It is considered as an add on benefit along with the base policy.

1.9.12 Net Asset Value (NAV)

Net Asset Value is the value of an entity's assets less the value of its liabilities. In insurance, it is the worth of the insurance if paid up.

1.9.13 Return Guaranteed Plan (RGP)

Return Guaranteed Insurance plans neither offer investment returns that are significantly better than other neither fixed return instruments nor cheap insurance cover.

1.9.14 New Business

A term describing the amount of new insurance policies issued by an insurance company during particular period of time\(^{105}\).

1.9.15 Policy period

The length of time during which the policy contract provides protection. It is also called policy term.

\(^{105}\)John R. Jngisano et.al., Insurance Dictionary, S.Chand and Company, New Delhi, p.201.
1.9.16 **Premium**

The lowest consideration for which an insurance company will insure a risk for a specified period.

1.9.17 **Sum Assured**

It is the amount that an insurer agrees to pay on the occurrence of an insured event.

1.9.18 **Maturity**

The date on which a policy becomes payable due to the death of the insured, or as a result of an insurers living to the end of an endowment period.

1.9.19 **SBI Life Advisors**

Advisors in SBI life refers to representatives of SBI Life Insurance Company who are authorized to sell the insurance product of SBI life.

**1.10 METHODOLOGY**

The present study is an empirical study based on the survey method. The primary data collected from the respondent policyholders who took life insurance policies from any one of the branches of SBI Life in Tirunelveli District are used for the study. For the purpose of collecting the primary data, an interview schedule (vide-Appendix-A) was constructed by the researcher.

The secondary data were collected from the annual reports of the IRDA and SBI Life, the statistical hand book of Tamilnadu and Tirunelveli district. The researcher also perused many books, reports, journals and websites containing useful information pertaining to this research.
1.10.1 Construction of Tools and Pre-test

The interview schedule employed in this study was constructed by the researcher with the help of her supervisor. In order to test the validity of the format, it was given to research experts in the field of social sciences for evaluation. Further, the researcher had consulted the officials of the SBI Life in Tirunelveli district in order to enrich the contents of the schedule.

The variables of the study were identified by referring to various research reports and in consultation with the supervisor. The variables thus identified have been used to design the interview schedule. Then the rough draft of the schedule was prepared. Keeping in mind, the suggestions of research experts including the supervisor, the rough draft was revised and the final draft was prepared. The final draft was then pre-tested with 60 policy holders. In the light of the suggestions obtained from the pre-test, the modified interview schedule was constructed and used for gathering primary data.

1.10.2 Sampling Design

The nature of the present study necessitates the collection of primary information from the policyholders of SBI Life. The population of the present study consists of 31,918 policyholders spread over Tirunelveli district as on 31st March 2012. There are eleven taluks in Tirunelveli district namely, Tirunelveli, Palayamkottai, Sankarankovil, Tenkasi, Sivagiri, Shenkottai, Ambasamudram, Nanguneri, Radhapuram, Veerakeralampudur and Alangulam respectively. These eleven taluks have been selected for the study under stratified random sampling method. A sample of 2 per cent of policyholders have been selected from each taluks under proportionate random sampling method. Therefore, 638 policyholders have been selected after dropping out, finally 630 policyholders have been selected for detailed
investigation and the required information has been collected from these 630 policyholders of SBI life by administering a structured interview schedule.

1.10.3 Geographical Coverage

The area covered for the present study is limited to the operational areas of the SBI Life in Tirunelveli District which covers all the taluks of Tirunelveli District. The study area covers urban, semi-urban and rural areas.

1.10.4 Period of the Study

The present study is aimed at measuring the extent of utilisation of the SBI Life by the policy holders and the attitude of the policyholders the service of SBI Life in Tirunelveli district. The primary data were collected from those who have become policy holders earlier to March 31, 2012. The secondary data were collected for a period of 10 years from 2001-2002 - 2010-11.

1.10.5 Field work and collection of data

The researcher undertook the field work by directly meeting the sample policyholders with the help of an interview schedule. The completed schedules were checked and edited as soon as the data collection was over.

1.10.6 Data Processing

After completing the data collection with the help of the interview schedules, a thorough verification was made. Next to that all the interview schedules were codified for further analysis. Then all the schedules were processed through the computer with the help of the SPSS package.
1.10.7 Measurement of the variables and Framework of Analysis

The analysis is made with the help of the classification tables. The evaluation of SBI Life is made with the help of the compound growth rate and the linear trend analysis.

The significance of the relationship between the selected variables and the extent of utilisation of SBI Life in terms of the number of policies, the sum assured the amount of premium paid and the attitude of the policyholders towards the services offered by the SBI Life and its advisors have been analysed with the help of the chi-square test.

Garrett’s Ranking technique is used to determine the purpose of utilisation of the SBI Life policies and to assess the factors responsible for the utilisation of the SBI Life and the policy loan.

Factor analysis is employed to assess the factors responsible for the utilization of loan and to identify the factors inhibiting the attitude of the policyholders towards the services of SBI Life advisors.

1.11 PROFILE OF THE STUDY AREA

1.11.1 Origin of the District

On acquisition from the Nawab of Arcot in 1801, the British named it as Tiunevelly district though their headquarters was first located in Palayamkottai the adjacent town, where they had their military headquarters during their operations against the Palayakars. Two reasons may be attributed for naming it after Tirunelveli. One is because, it was and is the chief town of the district and the other is that it was already called Tirunelveli Seemai under the Nayaks and Nawabs.
Both Tirunelveli and Palayamkottai grew as the twin towns of the district.

1.11.2 Geographical data

Tirunelveli District having geographical area of 6759 sq.kms, in the South eastern portion of Tamil Nadu is triangular in shape. It lies between 8°.05′ and 9°.30′ of the Northern latitude and 77°.05′ and 78°.25′ of Eastern longitude.

1.11.3 Demographic Details

In census enumeration, data regarding child under 0-6 age were also collected for all districts including Tirunelveli. There were total 301,275 children under age of 0-6 against 320,175 of 2001 census out of total 301,275 male and female were 153,437 and 147,838 respectively. Child Sex Ratio as per census 2011 was 964 compared to 957 of census 2001. In 2011, Children under 0-6 formed 9.80 percent of Tirunelveli District compared to 11.75 percent of 2001. There was net change of -1.95 percent in this compared to previous census of India.

Tirunelveli District population constituted 4.26 percent of total Tamil Nadu population. In 2001 census, this figure for Tirunelveli District was at 4.26 percent of Tamil Nadu population\textsuperscript{106}.

All details regarding Tirunelveli District have been processed by us after receiving from Government of India. We are not responsible for errors to population census details of Tirunelveli District.

\textsuperscript{106} \url{www.census2011.co.in}
The population of this District was 2,723,988 as per 2001 Census and 30,72,880 as per 2011 census. The Density of Population per sq.km. was 399 as per 2001 census and 455 persons as per 2011 census. Tirunelveli, Tenkasi and Ambasamudram are the most densely populated Taluks in the District as per 2001 census.

The sex ratio is 1024 females for every 1000 males in the District as per 2011 census. The Literacy rate is 76.09 per cent in the District as per 2001 census.

Out of the total population, males are 13,33,939 and females 13,90,049 as per 2001 census. Out of the total population, males are 15,18,595 and females 15,54,285 as per 2011 census. The district having Schedule caste population of 4,81,052 which represents 17.66 per cent to total population as per 2001 census. Schedule Tribes are found to be very small in number 8,358 which is 0.31 per cent of the Total population. 4.36 per cent of State population lives in Tirunelveli district, 14,15,742 live in Rural area and 13,08,246 live in urban area forming 52 per cent and 48 per cent respectively as per 2011.

1.11.4 Life Insurance

| Offices | 16 |
| Policies Issued | 2,49,151 |
| Premium Received (₹ in crores) | 2850.57 |

1.12 LIMITATIONS OF THE STUDY

This study investigates the utilisation of the SBI Life by policy holders in Tirunelveli district. The authorities of SBI Life hesitate to reveal
real particulars about their performance owing to severe competition from other insurance companies. Hence, only limited information relating to the SBI Life could be collected from the annual report of SBI Life. Based on the availability, secondary data were collected for ten years up to 2001-2011.

1.13 SCHEME OF THE REPORT

The report of the study is presented in six chapters.

The first chapter deals with the design of the study. It contains the introduction, statement of the problem, review of literature, scope of the study, objectives of the study, hypothesis, methodology, sampling design, and framework of analysis and scheme of the report.

The second chapter deals with the historical perspective of life insurance and the origin and growth of the SBI Life insurance.

The third chapter evaluates the business performance of the SBI Life Insurance Company Limited at the National, State and District levels.

The fourth chapter analyses the extent of utilisation of the products and services of SBI Life by the policy holders in Tirunelveli District.

The fifth chapter emphasis the attitude of the policy holders towards the services offered by SBI Life and its advisors.

The final chapter gives the summary of findings and throws light on the problems encountered by the policy holders while dealing with SBI Life and concludes with suggestions for the effective utilisation of the products and services of the SBI Life Insurance Company Limited.