CHAPTER - II
REVIEW OF LITERATURE

2.1 INTRODUCTION

2.2 RESEARCH GAP
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The study of perceptions and preferences of policyholders towards insurance products offered by LIC of India in Tirunelveli District is the first of its kind. However, there are certain studies related to the overall perceptions and preferences of policyholders of the public Life Insurance Companies. The reviews of related literature presented in this chapter are the overall perception and preference of policyholders towards life insurance companies in India.

Agarwala (1961) in his historical and analytical study entitled, ‘The LIC in India’ pointed out that in the developing countries, life insurance was an expanding phenomenon. Before the nationalization of the LIC, the life insurance market way narrow and highly imperfect, which was due to the under development of the country’s national economy. But after nationalization, the LIC has made an excellent progress in the number of policies sold and the sum assured mobilized.\(^2\)

Desai (1973) in his study entitled, ‘Life Insurance in India – its history and Dimensions of growth’ stated that the origin and development of the life insurance in India over the years has wide spread mindedness in insurance and the significant sales through service initiatives, executive efficiency, economy and promptness and spreading the benefits of life insurance to vast section of the rural population and industrial workers throughout the country could achieve a formidable growth in LIC. \(^3\)

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\(^2\) Agarwala, Lice Insurance in India – Its Historical and analytical study, Allahabad, 1961., 1-360
\(^3\) Desai G.R. ‘Life Insurance in India – Its History and Dimensions of Growth, Macmillan India New Delhi, 1973, PP. 1-51
Jeyaraman (1980) on the study with a title, ‘Development of Insurance Business’, outlined the methods for developing the life insurance business in rural areas. He also suggested that organizational infrastructure in the rural areas need to be enlarged so as to bag the growing insurance potential there.  

The study of Satpal Singh (1986) on the title, ‘Role of life Insurance in Economic Development of India’ observed that the LIC had failed to compete with other saving media in tapping the household savings. He also found in his study that there was a vast scope for mobilization of savings of household through life insurance. He suggested that the life insurance protection should be extended to irregular income earners too.  

Arora (1987), in his doctoral research work, analyzed the investment and personnel management of LIC. The research revealed that the total investment of LIC has increased at a faster rate than the increase in total fund, total assets and controlled fund. It is a very good sign, because a large portion of the amount is being utilized for earning income and a small portion of the amount is left idle. The percentage of investment in government securities to total investment has been declining. It has no reverse impact on the interest of the policyholder. The LIC arranged investment in such a way that it got a constant inflow of funds. The study observed that the LIC has no systematic planning to foresee the needs of its employees. The study suggested that the personnel department of LIC should be equipped with specialized and qualified personnel to manage its functioning properly. 

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4 Jeyaraman R, Development of Rural Insurance Institute, Bangalore, 1980, P.17  
Roy (1987) in his study on ‘Life Insurance Lightens the Hope of the People’, emphasized that the idea of insurance has gained momentum due to the growth and increasing uncertainties of human lives in the society and also reported that the Rural Career Agent scheme and Jana Raksha Policy for the rural masses had made steady progress in highlighting the idea of life insurance in rural areas.\(^7\)

Arora (1988), in her doctoral work, studied quantitative analysis of the investment policy of GIC and examined critically the role played by the GIC in providing finance to industry. The study revealed that the Investment Policy of GIC evolved within the ambit of the provisions of the Insurance Act 1938, and the guidelines issued by the government from time to time, with a view to maximizing investment income, ensuring safety, liquidity of funds and be consistent with national objectives and priorities under the guidelines. It also invested in corporate securities and participated in underwriting of new issues. The promotional role played by the GIC over the years has been considerable. It has taken keen interest in the area of rural insurance, foreign business development and development of human resource.\(^8\)

Dhar Ravi (1994) in his study “Decision Difficulty and Uncertain Preferences: Implications for Consumer Choice” says that as soon as customers face their decision situation they would still not have a clear idea of their preferences and will be confused when having multiple options. Such confusion appears to depend on


the complexity of the choice situation which “is influenced both by the number of alternatives and by the number of attributes used to describe each alternative.” \(^9\)

**Jonsson Petur (1994)** in his study “Social Influence and Individual Preferences: On Schumpeter’s Theory of Consumer Choice” states that Schumpeter’s theory of consumer choice also assumes that customers’ preferences and tastes are generally deficient, and factors such as experience, learning, innovation, and social environment affect the formation of preferences. \(^10\)

**Negi and Sarkar (1995),** in their paper, analyzed and critically examined the portfolio management policy of LIC with respect to its investment in Govt. of India’s securities. The study revealed that up to 1987, the LIC had increased its investment under the Government of India’s securities with the increase of its total controlled fund. But after 1987, its investments under the two heads did not increase with the increase in total controlled funds. After 1987, the corporation decided to take more risk in order to earn higher returns. It decided to be little aggressive for their portfolio management and tilted towards investment in securities and financial instrument where higher returns were possible, keeping in view the satisfaction of customers. It was important for the corporation to earn higher profit so that bonus might be declared at a higher rate. \(^11\)


Dhar Ravi (1997), in his article “Consumer Preference for a No-Choice Option” says that though there are a lot of various elements that can affect customers’ preferences and choices, there is still the possibility for not making a choice at all. Many decisions involve a choice among many alternatives available in the market as in the case of choosing insurance among many insurance companies and other financial activities. To choose one service or product among many, alternatives can be difficult for some people and they can end up not choosing any. Since time for decisions regarding purchases is not predetermined or predictable, consumers usually have the option not to choose. There are also some factors that might affect such decisions, which could be to await a better opportunity, better service or maybe better information.12

Bettman James R., Luce Mary Frances and Payne John (1998) in their article “Constructive Consumer Choice Processes” state that there are many different approaches for studying customers’ preferences and choices. One of them is rational choice theory, which assumes that customers are rational when making their choice about different products and services. Rationality in this case means that customer have well-defined preferences which do not depend on a particular description of options or on specific methods used to obtain these preferences.

Customers’ demands and preferences of different products and services are a subject of concern for many business areas. For the insurance industry, it means providing a variety of products and services that customers of different ages want. However, these customers’ preferences and choices are not similar from one customer to another which is also valid for young people’s preferences studied in this paper.

These differences make it hard for the insurance companies as for other businesses to meet diverse demands. Thus, the knowledge of customers’ preferences and their choices of products and services provided by the insurance companies is one of the most significant attributes for meeting customers’ demands.\textsuperscript{13}

\textbf{Estelami and Hooman (1999)}, in their article “Consumer Savings in Complementary Product Bundles” says that the insurance companies have developed their ways of attracting customers to their services. Nowadays, the insurance companies as many other financial institutions offer bundle of services to customers. When offering bundle of services, businesses usually combine two or more services in a bundle or a package, which often has a lower price than the sum price of the services in the bundle. However, there are different bundling methods. In this paper, they have considered multi-product bundling which refers to the selling of different products in the same bundle. This kind of bundling contains both complementary bundling, in which individual items function as a system, for example, vehicle insurance offered together with accident insurance, and non-complementary bundling in which items are not functionally related to each other, e.g. life insurance and banking services.\textsuperscript{14}

\textbf{Bhole (1999)} made a study on “Financial Institution and Markets”, and pointed out that the LIC has diversified its activities considerably in the recent past by

\textsuperscript{14} Estelami, Hooman, (1999), Consumer Savings in Complementary Product Bundles, Vol. 7 Issue 3, p107,
establishing LIC Housing Finance Limited (LICHFL), LIC Mutual Fund (LICMF), Jeevan Bima Sahoyog Asset Management Limited and LIC International.\(^{15}\)

**Forbes (2000)**, in his paper, emphasized on delivering excellent customer service in the insurance industry. It has been described that the outstanding customer service although conceptually simple, is difficult to achieve. It takes quite a long time and requires energy and staying power. It has to be part of the fundamental philosophy of the organization - understood and embraced by everyone. It has to be built into products and processes; and systems have to be set up to deliver it. Above all, the people who make up the organization need to have the skills, passion and commitment to make it work.\(^{16}\)

**De Costa (2000)** in his special article ‘LIC may achieve higher growth rate after the Industry is thrown open to private sector’ indicates that LIC has been taking several steps to prepare itself well for the competitive scenario ever since the proposal of throwing open of the Insurance industry was mooted. Thrust areas such as gradation of technology, market research and training and human resource development were identified and acted upon. He suggests that as recommended by the Malhotra committee, Urban Career Agency System should be upgraded claims procedures must be liberalized for easier quicker settlement of death claims.\(^{17}\)

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\(^{15}\) Bhole (1999) made a study on “Financial Institution and markets”, TATA Megrow – Hill, New Delhi 1991 PP 50


\(^{17}\) ‘LIC May Achieve Higher Growth Rate after the Industry is Town open to Private Sectors’ Monthly Commentary on Indian Economic Conditions. Volume XLII, No.3, October 2000, 7 – 18.
**Stott (2001)** investigated the issues related to achieving service delivery excellence in an active and developing insurance company. In his paper, the author also discussed service quality issues and the emphasis to be placed on alignment of factors to achieve the company goal. It focused on making up a complete service quality master plan. The master plan must include service awareness, measuring customer satisfaction, internal service programmes, business processes, external improvements, service quality control, emphasis on five quality dimensions such as responsiveness, assurance, tangibles, empathy and reliability, service quality culture, aligning people, product and service quality to achieve profitable customer satisfaction. The paper concludes that if a company cannot deliver both quality products and services successfully, it will eventually be overtaken by the competition.  

**Pearson Robin (2002)** in his article “Growth, Crisis and Change in the Insurance Industry: A Retrospect” says that change is often characterized by new internal strategies that organizations use in order to enhance their competitive advantage. Corporate restructuring is an increasingly popular means to attain and retain competitive advantage. An organization is making structural changes as well as adjustments to their products and services to better meet the constantly changing preferences of their customers.

For insurance companies, it is significant to understand the needs of young customers. This concentration on young customers’ preferences is due to the fact that understanding and adjusting services to their needs will give an insurance company the possibility to keep these young customers throughout their lives. Incorporating the

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changes in customers’ demands on a regular basis would allow the insurance companies to gain satisfied, loyal customers over time. During the past decades, there has been a rising interest of the insurance industry among business and economic historians. Despite this there is still a gap in the knowledge of insurance demand.  

**Gupta (2003),** in his paper, highlighted the need of branding in insurance, because the changing scenario is forcing the players to differentiate themselves from others; hence, they are now examining the possibility of branding their product and services to fuel growth. The study revealed that settlement of claims is the most important factor in the mind of customers followed by quality services and security of investments. The other expectations included nine other types desired by the customer. It, therefore, logically follows that the expectations of the customers, especially the claim factor, should be strategically incorporated in the brand strategies of the insurance players.  

**Sathya Swaroop Debasish (2004)*** has devoted his research to the Customer preference for Life Insurance in India. Using the technique of factor analysis, his study identified the five major factors which are responsible for customer preferences which are stated as risk-return factor, promotional factor, service quality factor, consumer expectation factor and core product factor. The sample covered six hundred policyholders, across five states in North India. The opinion of the customers on twenty reasons for preference of life insurance were measured on a five-point scale (Likert Scale) ranging from least important (1) to most important (5) depending on the importance attached to each reason. The data has been collected through structured

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questionnaire based on non-probability, convenient sampling held during the period of July 2002 to March 2003. He found that more and more customers are now identifying the newer dimension attached to life insurance, to match their life-cycle needs. The buying intent of a life insurance product by a small investor can be due to multiple reasons depending upon customers risk return trade off. Another important fact was that, due to the reduction in the bank interest rates and high degree of volatility in Indian stock market, investors are looking for an alternate for their short term as well as long term investment which will provide them a higher returns and also safety to their investment. Thus, life insurance offers the best alternative to small investors in India. He also suggests that prudent product design, by adding the feature expected by investors, will make the new life insurance product more attractive for investors.  

Raman and Gayathri (2004), in their study on “Customer Awareness Towards New Insurance Companies”, inferred that due to the increase of new companies attractive schemes and low premium, the investors have been forced invest money in the new companies.  

Grant Ian (2004) in his research article “Communicating with young people through the eyes of marketing practitioners” says that, the majority of adults who are subscribed to some bank, children have been living in the protective nest of their parents, and hence need not subscribe to banks or insurance companies. But when they reach a certain age and move out, or get their first jobs, they make their own

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bank and insurance arrangements. A study on how marketing practitioners see young people states, “What makes this age group particularly interesting is that they are on the cusp of adulthood; their ‘active decision making skills’ are more advanced and they are experimenting in many different ways, preparing themselves for the opportunities and dangers full independence entails.”

Judging from existing research and statistics, when youngsters do subscribe to bank or insurance services, they are most likely to stick to the institution they first subscribe to, for the rest of their lives. It is therefore an opportunity for financial institutions providing both banking and insurance services to target this group of youngsters in order to gain new customers. Since young customers are an important target group, reaching them has become increasingly important, and the changing preferences of customers make this a challenging task for service companies. The emphasis here lies on understanding the young customers’ changing needs and demands in order to be able to use marketing techniques and forums to reach them. These marketing techniques must continuously be revised and improved to retain competitive advantage.  

Tripathy (2004), made an endeavor to find out the perception of customers towards insurance companies through marketing variables, and also analyzed the performance of customers and the importance they assigned to different attributes. The author also examined the satisfaction level of respondent customers and agents regarding customer service offered by the company, and tried to determine the position of different companies in the minds of people. The study is based on a questionnaire survey of 225 respondents in Orissa by using multi-dimensional

scaling technique. It is observed that 58 per cent of the investors preferred to invest in insurance companies due to choice of products, servicing policy and claims settlement. Majority of the respondents were influenced to take the policy through financial journals and business magazines, and also keeping in mind the high reputation and good CRM of the company. The author suggested that to achieve greater insurance penetration, private companies have to create more vibrant and competitive industry, with greater efficiency, choice of products and value for customers.  

Banumathy and Subhasini (2004) examined and evaluated the attitude of LIC policyholders towards Life Insurance business, at a branch level in Virudhunagar District. In order to collect opinion of policyholders, a well-structured questionnaire was prepared. The sample comprised of 200 respondents selected randomly. The study revealed that educational level, income and financial status of the policyholders are the important factors influencing their decision to take the policy. Most of the policyholders get the information about various plans & schemes of LIC only through its agents. Policies are taken up by the policyholders for various purposes, such as future safety, family welfare, children's education, marriage, tax benefits etc. About 10 components have been identified to measure the level of attitude. A five-point attitude scale had been framed. The components analyzed were: premium rate locating of branch, loan procedure, rate of bonus, services of agents, settlement of claims, advertisement, publicity, safety and social security. This

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measurement of level of attitude clearly revealed that most of the policyholders were satisfied with the services rendered by the LIC and its agents. 

Azam (2005), examined the customers' attitudes towards private and public owned general insurance organizations’ products exploring 8 salient beliefs, namely, sound financial strength, goodwill, satisfactory claim settlement, easy risk underwriting, diversified policy, experienced employee, excellent client service and good office environment. The study utilised fishbeins' multi-attribute attitude object model to measure overall attitude. T- Test was performed to test the hypothesis. The study indicated that among 8 salient beliefs customers' perceptions on financial strength, goodwill and office environment are statistically different at 0.001 level, while risk underwriting and client service are different at 0.05 level of significance. The results revealed that customers' favorable perception towards financial strength and goodwill of SBC, while office environment, risk underwriting and client services were favorable for private insurance companies. 

Jampala and Rao (2005), in their study on Corporate Social Responsibility of LIC, analyzed the data related to LIC's contribution towards its employees, agents, government, policyholders, assistance to development activities, social security schemes, social investment and lives covered from 1999-00 to 2003-04, and concluded that C.S.R. is one of the prime focus area of LIC. However, it did not have

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a proper feedback system to gauge the impact of its contribution to social development.  

Rao (2005), in his research paper titled, “LIC Agents: Are They All Productive”, found that during 2003-04 the business procured through Agents constitutes 99.78 per cent, while through all other sources is 0.22 per cent only, which shows the basic strength of LIC is its huge agency force. The data from 1996-97 to 2003-04 shows that the number of agents and average business per agent is increasing year by year. But it does not mean that all agents are productive. The analysis revealed that 15 per cent of LIC agents are highly productive, and the remaining 85 per cent are not so productive. In a nutshell, 15 per cent of the agents bring 61 per cent of the new business. In view of this, LIC would have to undertake training & development programmes for its non-performing agents to make them good performers.  

Sekar (2006), in his article, examined that insurance companies in the absence of a holistic measurement system, and the evaluation procedures would lack a balanced structure giving a balanced outlook of different facts of business performance. The drawback is overcome by employing a balanced score card system. It is one of the powerful tools of stakeholder management, enabling an insurance company to develop, grow and sustain competitive advantage. It provides the necessary means for evaluating the effectiveness of different strategies at different levels of business. The balanced score card does a performance measurement in  

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insurance industry in four contexts, namely, financial, customer, internal business process, and learning and growth. The financial component is focused more on shareholders’ value.

The different variables present in the sequence of achieving shareholder value are; cost efficiency, investment returns, capital efficiency, underwriting profitability and premium growth. The customer perspective consists of core measures like market share, customer acquisition, customer profitability, customer retention, customer satisfaction etc. It takes care of bringing customer value by carrying on the following stages: brand reputation, quality of relationship, quality of services, terms and conditions and the market share. The stage of measuring and evaluation of internal process consists of business process, underwriting process, innovation capability, and client relationship management process. The learning and growth perspective has the following stages: claims management skills, financial skills, marketing skills, and underwriting skills.  

**Sharma and Kalyani (2006),** conducted a study titled, “CRM. in LIC : Some Reflections.” For the purpose of study, Warangal division was selected, since its performance in offering services to the customer was remarkable in the past few years. It was based on secondary data obtained from the records of divisional office of Warangal. The results showed that the LIC adopted the CRM philosophy at all levels and initiated necessary measures for providing better services to policyholders. Computerization and networking of operating units was also taken up for better

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access. New methods like single window and customer service centres had received wide recognition and acceptance among users.  

Singh (2006), in his thesis, made a comparative analysis of public and private sector banks, on the basis of business performance, marketing practices and customers' opinion. The study brought out that public sector banks have shown higher growth rate in terms of number of branches, deposits advances, operating expenses, interest expended, spread etc. The private sector banks market their products more aggressively whereas the public sector banks have recently started to recognize the need of marketing and are still in the process of developing efficient organizational structure. Private sector banks have introduced more and more new innovative products to satisfy the needs of customers and used sophisticated technology in their working and delivery of products. The research revealed that satisfaction level of customers is much higher with respect to location of branches, layout of branches, behaviour of staff, time taken in processing their requests etc. in the private sector banks as compared to the public sector banks. 

Sandhu and Bala (2006), in their research article, reviewed some of the studies that focused on different aspects of life insurance related to customer services, agents' opinion towards life insurance companies, service marketing, growth, functioning, problems and privatization of life insurance sector. The study revealed that the life insurance sector has gained greater importance over the period especially in the post- liberalization era. Many researchers have been carried out in this area, yet

none is comprehensive enough to cover the entire service spectrum of different life insurance players in the field. It was emphasized that in the changed scenario, further research is also imperative with regard to various other aspects like the role of information technology, bank assurance and customer relationship management in the life insurance sector.  

**Dr.B.M.Ghodeswar (2006)** in his article, explained the customer sensitivity as the customers were sensitive to many factors which affect their choice of buying an insurance product from a company. Those aspects were studied by the author in terms of demographic background, innovativeness, product service offering, price perception, and the level of customer satisfaction in their past experience.  

**Fatima Alinvi and Maira Babri (2007)** in their Bachelor Thesis submitted for the International Business Program titled as “Customers’ Preferences of Insurance Services” analysed how the insurance companies could enhance their ability of meeting the constant changes in customers’ preferences in an increasingly competitive environment.

The data collected in their study showed that price is a decisive factor in the choice of insurances. Young customers base their preferences on their life circumstances such as age and income. Certain respondents showed skepticism and distrust towards the intentions of insurance companies, and they desire more information about the conditions of various insurances. Finally, customers desire flexibility in the services offered by insurance companies by providing individually

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adjusted services, according to the specific needs of the customer. By enhancing integrity, building trust-based relationships, offering more precise information and instilling a customer oriented mindset in the company culture; companies can enhance their ability of meeting the constant changes in customers’ preferences.  

**Bodla and Verma (2007)**, studied the buyer behaviour regarding life insurance policies in the rural areas of Haryana. As many as 188 questionnaires were used for analysis and taken on the basis of convenience sampling. The study found that the respondents belonging to the age group 31-40 years dominate the rural insurance. Market agents are the most important source of information and motivation as the people take a policy that is suggested by an agent. Money-back policy is most preferred in the rural areas followed by Jeevan Anand and Endowment Policy; and the rural people have less faith in private insurers. The results also reveal that the women segment is still untapped in rural areas and the role of advertisements is still not up to the mark in motivating rural people to buy insurance policies.  

**Jampala and Rao (2007)**, in their study on distribution channels of LIC, concluded that in this era of reforms, a number of intermediaries or distribution channels have emerged. Despite the emergence of new distribution channels such as corporate agents, brokers and referrals, the LIC could not make sufficient business from these channels. In fact, of the total business of LIC in the year 2004-05, the newly emerged distribution channels contributed a meager 1.12 per cent. But private players who got business through these new channels in 2004-05 were 40.70 per cent.

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34 Fatima Alinvi and Maira Babri, 2007. Customers’ Preferences of Insurance Services, Bachelor Thesis submitted for the International Business Program  
So, unless the LIC uses the new distribution channels effectively and efficiently, it cannot succeed in the highly competitive insurance business. By taking these measures in their true spirit, LIC can improve its new business further.  

Banga (2007), in his doctoral work, made an attempt to examine the effectiveness of marketing strategies being adopted by insurance companies, the satisfaction level of the customer, different types of pricing and product management strategies adopted, and various promotional and distribution channels used by insurance companies for marketing their products. The study revealed that the same product may not be able to give full satisfaction to different categories of customers. Hence, while planning the product the above mentioned factors are required to be considered earnestly. The quality of services provided to their customers by private general insurance companies are better than public sector general insurance companies. It is in this context that the public sector insurance organizations need to think in favour of managing the marketing activities with the help and cooperation of world class professionals. The study also revealed that employees and agents working with insurance companies are not properly trained, resulting in slow business. The present marketing policies of insurance organizations are unable to make the public aware totally, and a drastic change is required in the marketing system. So, it is right to opine that the marketing practices need a new look, an innovative approach and the conceptualization of the holistic concept of management can make it possible.  


Raj Kumari (2007), in her study, identified the customers attitude towards purchase of insurance products and also their knowledge on the bancassurance formats available through banks. The study concluded that insurance awareness is growing rapidly among the people though many of them are still hesitant to insure due to certain barriers. The people go for insurance only to avoid income tax and have future savings. Bancassurance, the new term in insurance about this concept. The people understanding bancassurance did not have an idea on Centurion Bank providing this facility. The results also indicated that there is very less relation of the bancassurance clients with Centurion Bank accounts like savings, loans etc. 38

Vanniarajan and Jeyakumaran (2007), in their paper, identified various service quality factors among the insurers and also their impact on the overall attitude towards insurers among the customer in public and private players in life insurance sector. The LIC and private insurance companies have been taken for the study. The questionnaires were got filled from 250 customers of LIC and 20 each from private players. The SERVPERF model was used for the study. It was concluded that the important service quality factors in the life insurance market were distribution network, product, responsiveness, reliability, customer relationship management, empathy, brand building, promotion and tangibles. The significantly influencing service quality factors on the overall attitude towards the insurers were distribution network, product responsiveness, reliability and brand building. It suggested that the insurers have to cover so many customized products with a larger distribution network to survive in the life insurance market. 39

Goswami (2007), in his paper, made an attempt to understand the dimensions of service quality which help in ensuring maximum customer satisfaction, and hence, help life insurers to acquire a large share of the market. The study was done on a systematic sampling design and 250 respondents were asked to respond to the statements in the scale on a five-point satisfied-dissatisfied scale. The step-wise multiple regressions were run with the scores on tangibility, reliability, responsiveness, assurance and empathy as independent variables, and customer satisfaction as the dependent variable. The results indicated that the responsiveness of service quality provided maximum customer satisfaction in the life insurance industry in India. The study suggested the insurers to improve customer relationship. Proper CRM implementation would not only ensure increased customer satisfaction but also help in acquiring new customers, at the same time retaining the old customers. 40

Devasenathipathi et al. (2007), compared and rated all the life insurance companies, measured the customer perception, purchase behaviour, consumer awareness regarding life insurance industry and also studied the privatization, policy awareness and life coverage awareness among the consumers. The data has been collected through a questionnaire filled from 500 customers residing in Chennai. The study concluded that the entry of private players brought better service, quicker settlement, greater awareness and more choice. The purchasing behavior of the consumer depends on quality, accessibility and promptness of services, which may lead a company acquire the top rank with a huge market share. 41


Banerjee and Parhi (2007), revealed that competition was yet to reach the pricing arena in health insurance. The oligopoly nature of market has turned to restrict the free play of market forces through product differentials. Post- detariffing, the upcoming probable price war in other fields of insurance, may create a momentum in this section. In future, health insurance premium goes up by another 40 per cent to factor the increased claim ratio of 130 per cent in health insurance, which obviously is unacceptable. 42

Sabera (2007), in his paper, highlighted that growing insurance industry has recorded a growth of 16 per cent in the financial year 2005-06. Innovative products, better marketing and aggressive distribution have enabled fledgling private companies to sign up Indian customer faster than expected. The private players are mainly concentrating on customer service. For this, they are looking at delivery channels like call centres, internet, telemarketing and direct marketing. The public sector companies are also identifying new ways to satisfy the needs and will be competing with private players in the near future. There will be a large scope for growth and the industry will become highly competitive. 43

Rao (2007), in his article, discussed how the industry performed since liberalization, why the mindset of insurance continued to be premium obsessed, as in the past, and why it was very necessary for them to switch their focus to measuring performance on a different basis for their survival in the market place, that is getting hotter and hotter at a competitive level. And why it was even more important to the

public sector insurers to get their act together, as not doing so, might hurt them more as continued solvent insurers. The study revealed that non-life insurance industry performed superbly in FY 2006-07 in terms of rising premium volumes, recording its highest growth rate ever of 23 per cent, with an accretion of Rs.4626 crore. The premium volume crossed Rs.25003 crore. The growth rate during FY 2005-06 was 16 per cent & during 2004-05 was 12 per cent. The private players whose premium shares in FY 2000-01 was Rs. 500 crore had taken it to Rs.8700 crore, with their market share up from 4 per cent to 35 per cent. It was observed that measuring performance only by monthly premium has lowered the morale of staff. Even after the market was liberalized, this situation has not changed much. 44

**Capgemine and EFMA (2007),** in their quantitative and qualitative research, revealed key themes on which today's insurance is focused. The key issues studied were increasing the emphasis on customer centricity, enabling the distribution network with improved sales & service tools, implementing integrated multi-channel strategies, replacing legacy technology with more flexible systems and improving operational efficiency. The research showed insurers must re-evaluate how they handle customer interactions, align their offering with customer purchasing criteria, hone channel mix and better understand, and act on the drivers of customer satisfaction, loyalty and defection. At the same time, they can optimize the distributor strategy by proactively seeking to retain and attract quality distributors, enable distributors to function more effectively, integrate distributors more deeply into the enterprise, and build an enterprise view of the customer. To integrate systems and enable them free from information throughout the insurance enterprise, insurers

need to upgrade or replace policy administration systems. Insurers should also explore alternative methods to reduce costs and improve operational efficiency. 45

**Jha and Agarwala (2007)**, in their article, studied the impact and challenges of detarring insurance industry. The paper revealed that detarring creates intense competition, sharp drop in premium, reduction of premium more evident in corporate portfolios, and non-reasonable basis for reduction in premium. In the case of retail/small portfolios, the premium cut was less due to ignorance about detarring of insurance market, premium reduced irrespective of the quality of risk management, direct impact on the balance-sheet of insurers and review in reinsurance rates by several leading re-insurers etc. They found that the only way out available with the insurance companies will be to vigorously market the policies, create new customer base, spread the net of insurance, not to compromise with quality of risk insured, proper appraisal of risks and motivate the insured to practice risk management. 46

**Sethu (2007)**, in his paper, showed the effect of privatization and globalization on non-life insurance segments. He observed that the current trend in the insurance sector speaks volumes of the unethical practice of insurance and non-maintenance of the principles of insurance prevalent prior to the privatization of insurance in India. The basic principles of insurance are to serve the public for their security without detriment to them. It not only should aim at spreading of insurance all over the country but also promote social security keeping in view the principles of

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equity and natural justice, in the interests of all the insuring public. In the initial stage of privatization, the private companies were concentrating more on the creamy business and were indulging in unethical practices to grab the business by hook or crook. The PSU (Non-Life) insurers, on the other hand, having the massive strength of manpower, are unable to match with the private players who have minimum staff strength and a huge technology at their disposal. So PSU insurers are keen to reduce the staff strength by more than 50 per cent to compete with the private players.  

**Parekh (2007),** explained that the face of insurance in India has changed so radically that you cannot recognize it from the past. The changes which have been witnessed in the last seven years are: product innovation, unbundling of features and becoming more customer-responsive. Detarriffing that is being driven by the regulator has presented another huge opportunity to the non-life sector. The insurance industry has been huge contributor to the creation of both direct and indirect employment opportunities.  

**Rao (2007),** in his article said that the credit for the enlargement of the insurance market penetration and density should legitimately go to the private sector and rightful regulation. The increased economic activity coupled with recent reforms in general insurance market would certainly help to expand the market in the years to come. The opening up has augured well for the consumers, who now have access to

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wide range of new products particularly unit linked products that have attracted the attention of the insured. 49

Ramana (2007), in his article, observed that in the light of duties and obligations cast on the regulator in respect of protection of policyholders interest, growth and development of insurance business in India. What has been done and achieved till now is only a sound beginning. Much remains to be done to become true to the ideas with which the regulatory body has been conceived and constituted, particularly in the context of economic reforms initiated in our country. With increasing complexity and novelty of business opportunities thrown open to more and more players in the insurance market, the regulatory body too needs to gear up its administrative and regulatory machinery to have in place a more structured, systematic and effective approach to successfully find solutions to more and more challenges and issues in the days to come, as the market is destined to experience extreme aggressive stances both from the existing players and also the new entrants queuing up and knocking the doors of IRDA for the green signal and operational permit. 50

Athma. P and kumar. R (2007) in the research paper titled “an explorative study of life insurance purchase decision making: influence of product and non-product factors". The empirical based study conducted on 200 sample size comprising of both rural and urban market. The various product and non-product related factors have been identified and their impact on life insurance purchase decision-making has been analyzed. Based on the survey analysis, urban market is more influenced with

product based factors like risk coverage, tax benefits, return etc. Whereas rural population is influenced with non-product related factors such as: credibility of agent, company’s reputation, trust, customer services. Company’s goodwill and money back guarantee attract many people for life insurance.  

**Chawla and Singh (2008),** in their paper, investigated the service quality factors affecting customer satisfaction levels of the policyholders. The data was collected from 210 policyholders belonging to Northern India through a questionnaire. Factor analysis and reliability analysis were carried out to test the data. The results revealed that the accessibility factor has a higher mean satisfaction as compared to mean satisfaction of reliability and assurance factor. The comparison of overall mean satisfaction based on various factors expected showed that respondents who had purchased insurance policies before privatization had a higher mean score as compared to respondents who took insurance policies after privatization.  

**Khurana (2008),** conducted a survey to identify customers’ preferences regarding plans and their purpose of buying insurance policies, their satisfaction level and their future plans for the new insurance policy. The data was collected through a questionnaire filled from 200 customers of Hisar city on the basis of convenience sampling method. The results revealed that the customers still prefer public sector companies to the private sector ones. The main purpose of buying an

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insurance policy is protection. The survey showed that only 6.3 per cent of the respondents having policies of LIC faced some problems. As high as 56.3 per cent respondents were ready to buy new insurance plans from the same company. 

Girish kumar and Eldhose (2008), published an insurance chronicle ICFAI monthly magazine august 2008. In their paper titled "customer perception on life insurance services: a comparative study of public and private sectors", they explained the importance of quality services and its significance in raising customer satisfaction level. A comparative study of public and private sectors help in understanding the customer perception, satisfaction and awareness on various life insurance services.

Praveen Kumar Tripathi (2008), in his summer training project report titled “customer buying behavior with a focus on market segmentation” conduct a research based study on buying pattern in the insurance industry with a special focus on HDFC Standard Life Insurance. The various segments of the markets divided in terms of insurance needs, age groups, satisfaction levels etc were taken into account to know the customer perception and expectation from private insurers.

Kamble et al. (2009), in their study, analyzed the perception of customers toward e-service quality dimensions. They also evaluated how well these dimensions were being perceived by the customers so as to provide an objective measure of

service performance. The first phase of the study identified 10 important dimensions of online service quality, viz. reliability, responsiveness, competence, ease of use, product portfolio, security, website features and access, credibility, completeness of information and sensation. The results indicated that the extent to which current online retailers provided online service attributes were analyzed to be low or moderate on most of the dimensions for both the e-travel and e-mart service providers. The model tested for the relationship between the service quality dimensions and customer satisfaction was found to be conciliated at a low level.  

Narayan. H. Jai (2009), in an article has made an emphasis on importance of customer in the business of insurance. He explained in phase of growing market competition, there is an intense need to go beyond mere efficiency in designing products. To understand the customer’s needs and to convey what they have to offer would perhaps bring in higher efficiencies in customer service. Insurance business revolves around the customer and fair treatment to customers is need of an hour to win their loyalty and trust. In a service based organizations, customer service is the most dominating feature that differentiate and gives good return to the insurers. Proper dealing with customer complaints, effective customer grievances handling mechanism and fast claim settlement procedure are some of the ways through which satisfaction level of customers can be increased. Hence to serve the customers promptly and effectively is the key success of a life insurance business.  


N. Namasivayam, S. Rajendran and R. Eswaran (2012) studied the influence of socio-economic factors on attitude of policyholders towards SBI life insurance schemes. The study revealed that socio-economic factors such as age, gender, occupation, nature of family and income levels, play a major role in influencing the preference of policyholders whereas factors like educational level, caste and marital status of the respondents showed that they do not influence the preference of policyholders.\(^\text{58}\)

Dr. P. Sheela and G. Arti (2012) stressed that the insurance companies have to understand the changing needs of customers. They have to develop viable and cost-effective distribution channels, build consumer awareness and confidence which will together contribute in further strengthening the insurance business in India. The study revealed that though majority of the respondents are aware of life insurance and its significance, only 41.7% of them have opted for insurance coverage. The study indicated that saving element was the main element that made them to purchase life insurance policies.\(^\text{59}\)

Subir Sen (2012) conducted a study on the role of insurance products in channelizing savings into investment in both developed and developing countries. Given the population projections along with the liberalization of markets in the selected emerging economies, the potential for insurance growth lies more in these economies compared to the selected developed countries. The study highlighted a shift in the saving preference and if the trends continue savers will move towards


insurance products for covering their individual risk, with savings element inbuilt and given the added element of tax relief, if continued.  

Walter and Thomas in their book (2012) - “safeguarding life insurance proceeds” discussed the important aspects to be kept in mind by an insurance company to safeguard the money collected from insuring public. The authors adopted the policyholder’s point of view while suggesting ways to safeguard the life insurance business.  