CHAPTER II

OBJECTIVES AND METHODOLOGY

INTRODUCTION

Life insurance system is as much a subject of evolutionary development and change as any other social system. There has been a vast scope of experimentation all over the world in the area of the insurance sector. India is no exception to this. The institution of life insurance in India, over the years, has received only a little awareness and acceptance and has attained only a small degree of maturity.

Under such exigencies, progressively good attention has been harnessed and paid to the totality of the life insurance industry keeping in view its long-range needs and also benefit perspectives. Consequently, when the industry was subjected to pragmatic global examination and tests, its deficiencies became more vivid and glaring. It was found that the Indian insurance system was a patch work and its procedures were piece-meal. The efforts made in the past proved inadequate to cope with the changing scenario generated by the endeavours to achieve economic objectives and technological and social imperatives.

The attempt of the policymakers to lay down foundation within which life insurance system could develop effectively could not succeed. In their anxiety to develop the system, they created more imbalances amongst different insurance players during those days. As a result, life insurance to a large extent had developed a sense of dependency on the public sector organization and also on the Government. Consequently, the LIC of India, a public sector giant, assumed a dominant and monopolistic role in life insurance which helped to accelerate the growth of insurance business in India.
But of late, the life insurance sector in India was subjected to certain important criticisms like low consumer awareness, low level of insurance penetration, delayed delivery of service, higher amount of premiums and high cost of distribution. These shortfalls have been attributed mostly to the monopolistic character of LIC of India.

In the light of this experience, it may be considered that there should be two clear-cut but mutually complementary alternatives to the development of life insurance industry after insurance liberalization. Within the broader parameters fixed by the Regulator, the life insurance players, both public and private sector, should be self-regulated and self-disciplined under all circumstances. If not, they should be regulated by the regulator either in part or largely whenever a complementary approach between the players breaks down.

It may be believed that there is no contradiction in these two sector units as they are mutually reinforcing to relieve the strains and stresses of unfavourable and cut-throat competition. There is a need to provide a clear package of regulations of a more positive nature incorporating the objectives of diffusing unhealthy competition and protecting the policyholders’ interests. Unless the regulations are willingly supplemented by voluntary and mutually acceptable practices of the insurance players, the life insurance service may not find fulfillment of its objectives properly. The public sector giant is expected by the private sector to serve as a model organization as well as protect the interests of the policyholders.

SIGNIFICANCE

Life insurance industry has assumed a pivotal role in the face of the rapid changes such as liberalization, globalization and privatization and also the related technological and market changes. The efforts of the industry are to be distinctly identified and every sphere of activity must be integrated
vertically and horizontally to deliver significantly the service of an industry so as to get good business results.

Life insurance management, as a distinct discipline, has been playing prominent role and gaining ground slowly and firmly in the present day post-liberalization scenario. The breakthrough achievements can come only from the untiring, sincere and diligent efforts of all the stakeholders.

The major change of the life insurance industry in India is the opening up to private and global players. With this, the monopolistic character of the public sector giant i.e. LIC of India, has been replaced by competition subject to the regulatory conditions of the IRDA. Insurance has become a matter of persuasion rather than solicitation. The customer can choose now among industry players, schemes available, nature and types of risks and also the costs involved therein.

Life insurance is a long-term business with a focus on long-term financial solutions to customers. Taking a report after ten years of liberalization to some extent, may be adequate enough to draw some initial inferences on the success or failure of the initiatives taken by the industry and find out whether these have been moving in the right direction or not.

REVIEW OF LITERATURE

In order to find out the gaps in research, the literature already available pertaining to the problem is to be reviewed. The literature on life insurance industry in India includes books, compendia, theses, dissertations, study reports and articles published by academicians and researchers in different periodicals. The review of this literature gives an idea to concentrate on the unexplored area and to make the present study more distinct from other studies. The literature available is presented below:
Mishra, K.C. and Simita Mishra (2000)\(^1\) in their article on “Insurance Industry: Recipe for a Learning Organization” say that like any other industry, insurance industry in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

Balasubramanian, T.S. and Gupta, S.P. (2000)\(^2\) in their book on “Insurance Business Environment” explain at length the global and Indian pictures of Insurance systems. The impact of globalization and also liberalization on Insurance business environment is also discussed analytically to have a clear understanding of the challenges faced by the insurance industry.

Mitra Debabrata (2000)\(^3\) in the thesis entitled “Employees and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India” opines that the State-owned Undertakings provide all sorts of facilities and amenities to employees along with usual emoluments. But, their productive rate is low when compared it with the private sector undertakings. In the Jalpaiguri Division, the employee relationship with the LIC is clearly discussed and some suggestions are also given in the thesis.

Wadikar Ashok Laxaman (2001)\(^4\) in his thesis on “Innovativeness in the Insurance Industries”, confirms a general opinion that innovativeness in every activity alone rules and dominates the industry. But, at the same time, the practicality and economic justification of that innovativeness are also to be

considered. With the introduction of the latest technology into the industry, innovativeness in the insurance industry is the order of the day.

Balachandran, S. (2001)\(^5\) in his book on “Customer Driven Services Management” concludes that the insurance industry is fast growing and mostly becoming a customer-driven and customer-centric one. He also advocates that when the insurance products are attractive to the customers, then only the insurance industry flourishes in the market and serves its purpose of profit earning and also income generation.

Srivastava, D.C. and Srivastava, S. (2001)\(^6\) in their book on “Indian Insurance Industry—Transition and Prospects” discuss analytically the financial significance of insurance industry, its contribution to Indian economy and also the transitory prospects and challenges of insurance industry due to liberalization and the opening up of the sector to private players.

Mark S. Dorfman (2002)\(^7\) in his book on “Introduction to Risk Management and Insurance” reviews the salient features of the insurance industry and also the role played by the private enterprise. The different types of insurance intermediaries are also discussed at length with suitable illustrations incorporated wherever necessary.

Charles P. Jones (2002)\(^8\) in his book on “Investment Analysis and Management” explains clearly about the framework for evaluating portfolio performance through return and risk considerations. The Risk-Adjusted measures of performance and also the problems associated with Portfolio Measurement are also discussed.

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Ajay Mahal (2002) in his article on “Assessing Private Health Insurance in India – Potential Impacts and Regulatory Issues” asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulation regime in many cases eliminate some of the bad outcomes.

Patil Kallinath, S. (2002) in his thesis on “Life Insurance Corporation of India, Its Products and their Performance Evaluation: A Special Reference to Gulbarga District” conducts a study which covered a period of five years from 1994-95. During this period, the Corporation launched various new plans. It is found that the incidence of insurance coverage of agricultural groups and agricultural labour is very low and the insurance products with fewer premiums and covering more risk are the most preferred policies by the people. The study further reveals that the entire insurance business is urban biased and the demonstration of product features by the agents is not satisfactory.

Shriram Mulgund (2002) in his article on “From Single to Sophisticated – Risk Based Solvency Margins for the Indian Life Insurance Industry” discusses the background to the risk-based capital approach for setting up the required solvency margins and its application to the Indian insurance industry. He suggests that the Required Solvency Margin (RSM) level can not be determined independently of the level of the reserves set up by the insurer. It is the total of the Reserve and RSM which is more important and relevant rather than just the level of RSM.

Ramesh Lal Dhanda (2002)\textsuperscript{12} in his thesis on “Divisional Performance Evaluation of LIC Business in North Zone” states that the factors affecting policy purchase decisions of the insured are the risk cover and also the tax benefits. The ratio of management expenses to total premium income, the productivity analysis for agents, the average percentage of death claims settled and the overall outstanding claims ratio are found important yard sticks for measuring the Divisional performance of LIC.

Rejda, G.E. (2002)\textsuperscript{13} in his book on “Insurance and Risk Management” analyses the relationship between insurance industry and risk management techniques. The concepts of Enterprise Risk Management and Risk Based Capital are discussed mainly to highlight the importance of managing risks by insurance companies in such a manner to enable them to minimize the loss of their risks.

Appa Rao Machiraju (2003)\textsuperscript{14} in his article “Marketology” opines that most of the facts are stubborn things and the very important fact is that industry marketers experienced increasing competition day by day. The combination of technology and trained manpower can be incredibly powerful and that is nothing but the “Marketology”.

Rajan, R.V. (2003)\textsuperscript{15} in his article on “Covering the Countryside – Opportunities and Issues in Rural Insurance” analyses the findings of a Research Based Study on “Rural Insurance – Issues, Challenges and Opportunities” organized by the Foundation of Research, Training and Education in Insurance in India (FORTE). He opines that the study rightly recommends the use of regional press and regional and local cable TV

\textsuperscript{15} Rajan, R.V., “Covering the Countryside – Opportunities and Issues in Rural Insurance”, IRDA Journal, September, 2003, pp.4-5.
Channels to promote insurance in rural India. The study had also given detailed information on consumer profile, penetration of different products and the premium loads that the consumers can bear on different insurance policies.

Deloitte & Touche Tomhatsu India (2003)\textsuperscript{16}, the Global Management Consultancy, advises the LIC of India, to ramp up its long-term strategies by closely linking them with the short and medium-term plans and to strengthen them both asset-liability machinery and also risk management system. The Consultant expresses satisfaction over the guaranteed products offered by LIC and mentions that there was no comparison with Unit Trust of India. The Report further touches upon major restructuring issues like corporatisation, removal of sovereign guaranties and increasing the paid-up capital from Rs.5 crores to Rs.100 crores.

Harrington and Niehans (2004)\textsuperscript{17} in their book on “Risk Management and Insurance” provide a brief overview of major life insurance and annuity products which are very much suitable to the lower and middle class customers. The tax benefits available to these products and also their pricing procedures are discussed.

Ramachandran, K. (2004)\textsuperscript{18} in his article on “Exit Clause Needed – A.C. Mukherji Committee Report” analyses the recommendations of the IRDA Committee headed by Shri A.C.Mukherji who submitted the report in 2003. The recommendations were in three parts: i. transition to pure risk rating; ii. commission structure; and iii. basic structure of broking firms. He opines that the transition to pure risk rating is apparently useful to facilitate each insurer to move towards experience rating under supervision of the Tariff  

Advisory Committee. The commission structure is clearly geared in the insurer’s favour for all firms with paid-up capital exceeding Rs. one crore but less them Rs.25 crores and also in respect of fire and engineering insurances. There is also a sharp and perceived diminution of remuneration opportunities to brokers in these recommendations.

Seshayyair, V. (2004)\textsuperscript{19} in his article on “Group Life Insurance Business” explains clearly the remedies available to the insurers to overcome the tardy growth of group business in India. The manner in which the annual premium is calculated relating to group business was discussed and stated that this calculation naturally centered mostly on the mortality rates of the insured and also the expense provision of insurers.

Vijaya Kumar, A. (2004)\textsuperscript{20} in his article on “Globalization of Indian Insurance Sector – Issues and Challenges” argues that the opening up of the insurance sector fostered competition, innovation and productive variations. However, in this context, one has to consider various issues like demand for pension plan, separateness of banking from insurance sector, role of information technology, possible use of postal network for selling insurance products and above all the role of the regulator.

Ganeshan, G. (2004)\textsuperscript{21} in his article on “Customer Care with eCRM” observes that companies are to-day opting for eCRM to help them serve their customers in the best possible way and to provide for customer needs even before these are voiced. This alone will help them to retain their customers’ loyalty.

\textsuperscript{21} Ganeshan, G., “Customer Care with eCRM”, \textit{Facts For You}, April, 2004, p.28.
Awasthi, H.K. (2004)\textsuperscript{22} in his article on “Perception Vs. Reality – Communication Failures Lead to Unhappy Customers” opines that the lack of proper explanation of the terms of insurance contracts and misconceptions about their nature as fixed income investments are leading reasons for consumer grievances. Such misconception needs to be eliminated urgently by the insurers and the Regulator has to take initiative in this regard by formulating and implementing suitable regulations.

Murthy, G.R.K. (2004)\textsuperscript{23} in his article on “Foreign Direct Investment in Insurance: That’s What the Economy Needs” states that the proposed increase in the FDI Cap from 26 to 49 per cent has got a very good potential to have a competitive edge over other organizations and there is an urgent need to infuse huge amount of capital into insurance by the foreign insurance collaborators.

Ravishankar, D. (2004)\textsuperscript{24} in his article on “Where to Sow, How to Reap – Investment Options for Insurance Companies” argues that in a changing business environment where returns are critical, insurance companies should consider several options while investing their funds. The role of the regulator has to be to only caution the insurance companies by prescribing capital adequacy norms and not to refrain from investing in the most profitable assets.

Suri Seeta Ram (2005)\textsuperscript{25} in his article on “Life as a Life Insurance Agent – Difficulties, Challenges and Rewards Galore” describes clearly his personal growth as an insurance agent while thanking his mentors for honing professional skills. Two basic lessons that almost all the agents are coerced

into learning are ‘Rebate’ and ‘Wrong Medicals’. These are lessons that are very hard to unlearn. He emphasizes that the purpose of life insurance is not just tax relief and savings, but a lot more to think and learn.

Krishna Kumar and Kannan, R. (2005)\textsuperscript{26} in their article on “LIC – Countering Threat from Private Player” discusses the position of LIC after the entry of Private Players into the Indian insurance sector. The likely threats and suitable remedial steps to the public sector giant are discussed with suitable analytical apprehensions.

Malabika Deo (2005)\textsuperscript{27} in her article on “Bancassurance – A Win-Win Solution for Banks and Insurers” states that competition in bancassurance is going to be immense with big players in both the banking and the insurance sector eager to embrace this new concept. She opines that banks with more than 60,000 branches provide an ideal ground for easy access to the customers for the foreign players.

Anant Sardeshmukh, (2005)\textsuperscript{28} in his article on “A Case for Usage of Derivatives in Insurance” recommends that the financial derivatives are definitely the risk management and return enhancement tools of wider application. The regulator as well as the insurer needs to deliberate exhaustively to prepare a future line of action for their wider application within a well-defined regulatory and governed framework.

Sayulu, K. and Sardar, G. (2005)\textsuperscript{29} in their article on “Customer Satisfaction with regard to LIC Policies” submit that customer value and satisfaction are the important ingredients in the marketers for success. The insurance companies today must develop stronger bonds and loyalty with

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\item[27] Malabika Deo, “Bancassurance-A Win-Win Solution for Banks and Insurers”, \textit{Facts for You}, April, 2005, p.42.
\end{footnotes}
their ultimate customers and pay close attention to their customer defection rate and undertake steps to reduce it.

Sam Ghosh, (2005)\textsuperscript{30} in his article on “Changing Horizon of Insurance Sector” advocates that the Insurance landscape in India is undergoing a major change. The increasingly tough competition has actually changed the rules of the insurance game. The market is flooded with an array of products. In such a scenario, the differentiators among different players are the product, pricing and service.

Nirjhar Majumdir (2005)\textsuperscript{31} in his paper on “Achievement of Indian Insurers in covering Uninsured Sectors during last 5 Years” presented at the Platinum Jubilee of Indian Insurance Institute, Kolkata expresses that the Private Insurers have done a good job in the market by grabbing around one-fourth of the market share already taken previously by the Public Sector Giant. It is also desirable and relevant that the insurance cover should be extended to those who need it most.

Kumar, S.R. (2005)\textsuperscript{32} conducts a study on the “Insurance Perspective in Eastern U.P.: An Empirical Study”. He identifies that 93.8 per cent of the respondents covered under the study consider that the insurance policies are indispensable for risk protection and also for future economic strengthening of the family.

Surya Prakasha Rao, B.K. and Venkateswara Rao, Bh. (2005)\textsuperscript{33} in their article on ‘Buoyant Rural Markets: Immense Market Potential for Insurance’, discuss about the extent of insurance market potential in rural markets and suggest different measures for tapping rural market for the insurers.

\textsuperscript{31} Nirjhar Majumdir, “Achievement of Indian Insurers in covering Uninsured Sectors during last 5 Years”, \textit{The Journal of Insurance Institute of India}, January-June, 2005, p.64.
Anand Bansal (2005)\textsuperscript{34} in his article on “Insurance Sectors: Is Privatization on the Right Track?” concludes that the outcome of privatization process over a period of time has been proved positive and identified as the beginning of new era with many heights to achieve. But there is an urgent need to adopt professionalized approach for the bright future of the industry.

Krishnaveni, M. (2005)\textsuperscript{35} in her article on “Issues and Challenges of Indian Insurance Industry” highlights the fact that detailed standards should be issued by the Regulator covering the constitution and also the methods of calculating reserves and provisions to ensure that all companies have to follow and adopt policies of capital adequacy standards in time and in tune with the best of the international practices. She also asserts that an Insurance Information Bureau should be created with data on underwriting policies, incidents of loss, claims and insurance brand.

Radha Krishna, G. (2005)\textsuperscript{36} in his article on “Alternate Channel: A Novel way of Distribution (A Study with reference to Tata AIG Life Insurance)” finds that the Tata AIG has come up with a multi-channel distribution strategy i.e. leveraging bancassurance and corporate agents in addition to advisors and financial service consultants. This strategy had saved the distribution costs and helped in increasing the customer product offerings in a significant measure.

Prabhakar, T.S. (2005)\textsuperscript{37} in his article on “Insurance Evaluation, Current Metamorphosis and Role of Chartered Accountant” submits that the risk management consultancy is one of the many areas in which the scope for

professional enhancement is possible in this seemingly complex, yet exciting subject of insurance.

Jha, S.M. (2005)\(^{38}\) in his book on “Services Marketing” has gone through the various components of insurance marketing. The motive of this is to sensitize the instrumentality of marketing in promoting the insurance business in India.

Nageswa Rao, R. (2005)\(^{39}\) in his article on “Deregulation of Banking and Life Insurance Sector in India – A Comparative Study of the Market Leaders’ Challenge” explains clearly the impact of the deregulation process of the Government on the Banking and Insurance organizations. The Challenges so accompanying this deregulation and also suitable remedial measures are discussed.

Jaya Prakash Rai, T. (2005)\(^{40}\) in his thesis on “Attitude and Behaviour of Life Insurance Policyholders: A Study with Reference to Dakshina Kannada District” conducts an empirical study to know the attitude and behavioural patterns of the selected insurance customers of the District. He suggests that customer expectations towards different attitudinal factors are to be properly analyzed to formulate a suitable and a necessary marketing strategy for each and every insurer.

Tripti Dhote, (2006)\(^{41}\) in his article on “Insurance Advertising – Adding Creativity to Life” highlights the current trend in insurance advertising. It focuses on the effective advertising strategy of various insurance companies

which attracted not only the customer but also even the biggest of the corporate making insurance a prosperous proposition to sell.

Sandeep Batra (2006)\textsuperscript{42} in his article entitled “The Insurance Scenario and Opportunities for Chartered Accountants” mentions that the insurance game has barely begun in India. The insurance market is still growing at 17 per cent, with the private companies growing at 3-4 times more that rate. In the present scenario, more and more Chartered Accountants are joining this sector in various capacities.

Sharma Rajendra Prasad (2006)\textsuperscript{43} in his thesis on “A Comparative Study of Marketing Strategies of Selected Public and Private Sector Life Insurance Companies” finds that there is much innovativeness in the marketing strategies adopted by the private insurance players. The private insurance players are mostly technology-driven and hence they are on the forefront in the area of introducing on-line and mobile marketing strategies.

Shiva Belavadi (2006)\textsuperscript{44} in his article on “Empathizing with the Claimant– A Perspective on Life Insurance Claims” asserts that the golden key for success of a life insurer is the deliverance of the promise. Delivering the promise is indeed that moment of truth, a culmination of the cycle which completes the obligations placed upon the insurer in the insurance process timely and promptly.

Sandeep Joshi and Manmeet Singh Rai (2006)\textsuperscript{45} in their article on “Redefining the Doctrine of Insurable Interest for Life Insurance – The New Dimensions” refer to the various facets of the concept of insurable interest

\textsuperscript{42} Sandeep Batra, “The Insurance Scenario and Opportunities for Chartered Accountants”, \textit{The Chartered Accountant}, April, 2006, p.1501.
\textsuperscript{44} Shiva Belavadi, “Empathizing with the Claimant – A Perspective on Life Insurance Claims”, \textit{IRDA Journal}, May, 2006, p.9.
and advocate that insurable interest is the main realm of an insurance contract and its absence renders insurance policy void and also meaningless.

Jagendra Kumar (2006)\textsuperscript{46} in his article on “Insurance Industry on Growth Path” mentions that the LIC settles a large number of death claims every year, yet it is compelled to repudiate death claims in case where full disclosures of material information at the time of taking the policy was not made.

Hari Govind Mishra (2006)\textsuperscript{47} in his article on “Customer Relations Management Practices in LIC of India” asserts that the Branch Manager has dual responsibilities to perform both marketing and administrative functions of the Branch. He is instrumental in developing cordial relations with customers by reducing the number of complaints and also expediting claims procedure.

Gupta Ajit Kumar (2006)\textsuperscript{48} in his thesis on “LIC Investments in Co-operative and Private Sectors in India; A Comparative Study” highlights the different facets of the investment management of the LIC of India in the Co-operative and Private Sectors within the broader regulatory framework of the IRDA. A comparative analysis of the management practices of the LIC of India relating to funds is discussed and that between the two sectors, the investments in private sector are attracting more returns than co-operative sector in many cases of study.

Srinivasan, M.N. (2006)\textsuperscript{49} in his book on “Principles of Insurance Law” categorically states that the different features of insurance contracts and also the principles of insurance law are very much relevant for study to the insurers and their people in understanding insurance contracts. The maxims applicable

\textsuperscript{48} Gupta Ajit Kumar, “LIC Investments in Co-operative and Private Sectors in India; A Comparative Study”, Ph.D. Thesis submitted to the Department of Commerce, Mahatma Jyotibaphule Rohilkand University, Bareilly, 2006.
to insurance contracts and the statutory framework of insurance are also given.

Nalini Prava Tripathy and Prabir Pal (Eds.) (2007) in their compendium of the papers titled “Insurance Theory and Practice” provide an insight into the operational policies, practices and issues relating to the insurance business with the ever-changing and latest trends in the sector. It also provides for the current stage of development of the insurance industry and future prospects of industry in our country for a better tomorrow.

Srujan, A. (2007) in her article on “Risk Management for Risk Takers – Dynamic Financial Analysis” presents an insurer’s financial situations with respect to future unstable economic conditions. An attempt is made to study the potential utilities of the process of dynamic financial analysis to the insurer in a real situation.

Harsh Arora (2007) in his article on “Ethical Aspect of Life Insurance Industry of India – Its Relevance in the Real Indian Market Scenario?” opines that to get good insurance business, long-term customer relationship is necessary and it should possess certain ethical aspects. These aspects are to be considered in the training given to their agents and frontline managers by the potential companies to hone the company’s objective of getting the maximum market share in the near future.

Kanan, R., (2007) in his article on “Insurer Solvency – International Developments” writes that due to the very nature of insurance business, it is impossible to guarantee solvency with certainty. He further adds that in order

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to come to a practicable definition, it is necessary to make clear under which circumstances the appropriateness of the Assets to cover claims is to be considered.

Pooja Bhalla and Gagandeep Kaur (2007)\textsuperscript{54} in their article on “Private Players and Life Insurance Industry” present that the opening up of the insurance sector to private players has posed a challenge to the public sector giant i.e. LIC of India. Though, it still enjoys the dominant position but the proportionate share is decreasing year after year. On the other hand, the private players with their innovative products, smart marketing, wider distribution networks and better customer service have been successful in attracting a large number of customers.

Justin Paul and Padmatha Suresh (2007)\textsuperscript{55} in their book on “Management of Banking and Financial Services” explain in detail the concept, benefits and tax concessions of insurance. The waves of globalization and liberalization and their impact on insurance industry are also analysed vividly in the book.

Shashi K. Gupta et al. (2007)\textsuperscript{56} in their book on “Financial Institution and Markets” explain that the reason on the basis of which the opening up of the insurance sector to private players can be justified and also the size of the large potential market adequate enough for all companies. The present low insurance penetration ratio is a good prospect for rural and social sector and the funds so mobilized are very much needed for the development of an economy and also for employment generation.

Neelam C. Gulati (2007)\textsuperscript{57} in his book on “Principles of Insurance Management” gives an insight into the basics of insurance, types of insurance, claims management, role of technology in the insurance sector and also the history and future expectations of Indian life insurance industry.

John C.Hull (2007)\textsuperscript{58} in his book on “Risk Management and Financial Institutions” explains in detail the various aspects of risk management in different companies. The important derivative factors are discussed with reference to risk business along with necessary illustrative examples.

Chauhan Monica (2007)\textsuperscript{59} in the thesis entitled “A Study of Factors Affecting Selection of Life Insurance Products” states that the insurance industry is mostly a customer-oriented industry and customers are demanding more and more of innovative insurance products to fulfill their needs and obligations. The important factors affecting the selection of life insurance products are identified by the researcher and these are the product characteristics, terms of premium payment, duration of the policy, number of switch-offs in the solution, risk coverage and return on the policies.

Tewari Sanjeev Kumar (2007)\textsuperscript{60} in his thesis on “An Analytical and Critical Study of Fund Management of Life Insurance Corporation of India” states that investment operations are crucial to the business of the LIC. The Corporation, over a long period of time, has built up a large corpus of fund. LIC of India has required investing the funds to the best advantage of the investors keeping in view the national priorities. But, during its long-regime and in many cases, a part of the Life fund has been invested by the

Corporation in securities has been yielding very low returns for satisfying the regulatory conditions.

Mushtaq Ahmed, R. (2007)\(^{61}\) in his thesis on “Market Strategies of Public and Private Life Insurance Companies in India: A Comparative Study” vividly discusses a comparative analysis of the strategies adopted by both LIC and private insurance players in selling insurance to the customers. Due to the intensity of competition faced by the LIC after liberalization, the Corporation has thought seriously of inculcating innovativeness in the strategies adopted for selling insurance products to the customers.

Narasimhan, K.P., (2007)\(^{62}\) in his issue focus on “Amendments to Insurance Legislation – Need For a Focused Approach” asserts that his committee has suggested a somewhat differently worded addition to Sec.38 of the Insurance Act that would enable the IRDA to specify regulations – what type of assignment would be prohibited, restricted or otherwise regulated? – in the interests of policyholders or the general public.

Nageswara Rao, S.B. and Madhavi, C. (2007)\(^{63}\) in their article on “An Overview of the Private Insurance Company” observe that the insurance industry is facing a healthy competition which really benefits the public. The public sector LIC should further improve its product varieties and schemes to compete with the private sector and also change its attitude further towards service to survive in the market.

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Phani Kumar, B.V.R.D. (2008)\textsuperscript{64} in his dissertation on “Changes in Insurance Sector (A Study on Public Awareness)” concentrates his emphasis mostly on the opinions and satisfaction of investors about life insurance on the basis of their socio-economic background.

Ram Pratap Sinha (2008)\textsuperscript{65} in his article on “Capital Adequacy Framework for Life Insurance Companies: The Alternative Approaches” emphasizes that in the Indian context, the Insurance Act, 1938 required all insurers to maintain sufficient assets at all times to meet the liabilities, thereby providing for a adequate solvency margin. But, the regulator, as a matter of prudence, has raised and prescribed a solvency margin of 150 per cent to be maintained at all points of time by the insurers.

Jagendra Kumar (2008)\textsuperscript{66} in his article on “Product doesn’t Matter, Service does” advocates that the CRM technology can help improve customer service and customer contact. More companies are moving towards supplying self-service to customers to replace face-to-face contact.

Gupta, P.K. (2008)\textsuperscript{67} in his book on “Insurance and Risk Management” analyses the different aspects of insurance and also the related risk management components. The comparative cost-benefit analysis of insurance is also depicted comprehensively in the book.

Elaine F. Tumicki (2008)\textsuperscript{68} in her article on “U.S. Individual Life Insurance – Trends, Issues and Outlook” opines that there is a need for designing simple and easily comprehensible products which are aided by the

\textsuperscript{64} Phani Kumar, B.V.R.D. “Changes in Insurance Sector (A Study on Public Awareness)”, M.Phil. Dissertation submitted to the Department of Commerce and Business Administration, Acharya Nagarjuna University, Nagarjuna Nagar, Guntur, 2008.


\textsuperscript{66} Jagendra Kumar, “Product doesn’t matter, Service does”, \textit{The Journal of Insurance Institute of India}, January-June, 2008, p.34.


need-based selling by the agents. She further feels that companies that adopt cost-effective strategies reach the vast numbers of uninsured and underinsured consumers. This gives them the opportunity to reap substantial rewards.

Anuradha Sharma (2008) in her article on “Life Insurance Evaluation–Current Perspective” observes that the demand for life insurance products is driven by several economic factors like prices of insurance, government tax, the general economic environment, income, inflation and interest rates. The burgeoning insurance market in India has been able to generate considerable interest and awareness among people. Insurance field has been creating new vistas for attracting talent and in this process had reduced unemployment.

Amitab Verma (2008) in his article on “Retention of Life Insurance Business – Need for Improvement” opines that high business retention ratios indicate the health of a company and further adds that insurers should adopt dynamic methods of insuring so that a customer does not go out of their reach.

Faiz Abdullah (2008) in his thesis on “Issues and Challenges of Privatization of Insurance Sector” states that liberalization of insurance sector has helped in bringing out several positive developments because of the emergence of a large number of private and foreign players, wider choice in terms of product innovation, tremendous surge in the flow of technology and the expanded market. But, there are many challenges faced by the insurers to bring into practice the global standards in the country. These challenges are capital adequacy, solvency margin, cap on foreign direct investment, financial efficiency, infrastructure development, integration and externalities.

Chandarana Harish Kumar Muljibhai (2008)\textsuperscript{72} in his thesis on “Performance Evaluation of Life Insurance Corporation of India” explains the different facets of the performance management of the LIC of India. The impact of liberalization and the entry of new insurers into the industry on the performance of the public sector insurer are also discussed elaborately in his thesis.

Desai Sneha Rupesh (2008)\textsuperscript{73} in his thesis on “A Comprehensive Study of Indian Life Insurance Industry with a Special Focus on Rural Gujarat” feels that after the entry of private players into the insurance market, the Regulator has taken elaborate measurers for developing insurance business in rural areas. The Regulator has also fixed targets to insurers with regard to rural business. However, the role played by the LIC in Rural Gujarat is not undermined.

Raj Kumar (2008)\textsuperscript{74} in his thesis on “Bank Assurance in India: Challenges, Opportunities and Future Prospects” feels that the banking sector with its far and wider reach to the customers is a potential distribution channel useful for the insurance companies. It is a very attractive proposition to banks also for generating additional fee-based income. If bancassurance is taken up in the right direction, it will be a win-win situation to all the stakeholders, i.e., insurers, customers and banks.

Ramesh, D.V.S. (2008)\textsuperscript{75} in his article on “Reputation Vs. Repudiation – The Intertwining Contradiction” argues that while it is desirable

\textsuperscript{73} Desai Sneha Rupesh, “A Comprehensive Study of Indian Life Insurance Industry with a Special Focus on Rural Gujarat”, Ph.D. Thesis submitted to the Department of Management, Hemchandrachary North Gujarat University, Patan, 2008.
\textsuperscript{74} Raj Kumar, “Bank Assurance in India: Challenges, Opportunities and Future Prospects”, Ph.D. Thesis submitted to the Department of Management, Maharshi Dayanand University, Rohtak, 2008.
for an insurer to have a zero repudiation record and it may be essential to turn down a few claims that are otherwise wrongful as it impedes with the principle of equitability.

Sai Srinivas Dhulipala (2008)\textsuperscript{76} in his article on “Being Cost Effective – Riders in Life Insurance Policies” observes that the riders offer a host of benefits both to the insurer as well as to the insured and thus had come to be accepted as an integral component of life insurance business.

Sarangi Prakash Kumar (2008)\textsuperscript{77} in his thesis on “Customer Delight Management: A Case Study on LIC” addresses the importance of customer delight in the insurance industry and its role in the business registered by LIC. Further, the strategic implications of different problems and relevant suggestions are also discussed. Product innovation and availability of a variety of products of the LIC to suit the needs of the customers delighted them to some extent.

Narayanan, A.G.V. (2008)\textsuperscript{78} in his thesis on “Rural Marketing Strategies for Life Insurance Products in Coimbatore District” expresses that all insurers recognize the vast potential in the rural areas wherein a large percentage of our population lives. He states that rural market for insurance is a challenge to insurers. The existing marketing strategies are discussed and suitable marketing strategies for tapping insurance market in Coimbatore District are suggested at relevant places.

Pilania Renu (2008) in the thesis entitled “Marketing of Health Insurance Policies in India” asserts that the health-care sector is recognized as an industry and many new life insurance entrants are providing health insurance benefits as riders. However, the general insurance companies issue health policies separately to the customers. The different marketing strategies adopted by the insurers for marketing health insurance policies are discussed and necessary suggestions are given for improving the marketing potential of these products.

The Indian Institute of Banking and Finance (2008), Mumbai in its book “Risk Management” discusses at length the concept and place of risk in the financial sector and the related managerial aspects. An overview of the risk management and its controlling techniques is also analyzed to enable the employees and practitioners of financial institutions to have a clear conception on risk management.

Rajeev Varghese (2008) in his article on “Group Insurance – The Key to Insurance Penetration in India” asserts that group insurance is indeed a powerful tool which is beneficial not only to the members of the group but also to the group insurer and also the employer. He further adds that there is no wonder that the group insurance business has been steadily increasing.

Sathish, S.V. (2009) in his article entitled “Life Insurance Marketing – A Phenomenon” contends that insurance marketing requires intriguing creativeness of the insurers implying updating knowledge on the markets with

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global perspective which calls for availability of enough right data or information at the hands of the operating offices.

Sridharan, G. and Allimuthu, S. (2009)\textsuperscript{83} in their article on “Bancassurance: Prospects, Strategies, Challenges and Mutual Benefits” assert that the Insurance Carriers and Banks in India managed to share the same vision as other Financial Conglomerates forming strategic partnerships known in all markets as bancassurance ventures. Bancassurance, the emerging distribution channel for the insurers, will have a large impact on the Indian financial services industry.

Veeraselvam, M. (2009)\textsuperscript{84} in his article on “How are Micro Insurance Products Distributed?” analyses that Micro-insurance is meant for the low-income people. It is different from insurance in that it is a low-value product and requires different design and distribution strategies. Micro-insurance is insurance with low premiums and low caps/coverage. Micro insurance, like regular insurance, may be offered for a wide variety of risks.

Inderjit Singh et al. (2009)\textsuperscript{85} in their Book on “Insurance and Risk Management” analyze the different facets of the privatization of Indian Insurance Sector. The different approaches of managing risk based capital are discussed.

Chandra Sekhar, C.P. (2009)\textsuperscript{86} in his article on “Learning Nothing, Forgetting Everything” observes that the Government has been pushing ahead with privatization despite there being no evidence of the nationalized insurance industry failing to meet its obligation to insurers or to the Government. The LIC has not only put at the Government’s disposal large

\begin{footnotesize}
\begin{enumerate}
\item Veeraselvam, M. “How are Micro Insurance Products Distributed?”, \textit{Facts For You}, May, 2009, pp.30-34.
\end{enumerate}
\end{footnotesize}
volumes of capital for investment but also addressed the problems of insurance for the poor.

The Swarup Committee (2009)\textsuperscript{87} recommendations for the insurance industry calling for the abolition of selling commissions borne by policy holders have made the players unhappy. The agents are worried that collecting money from policyholder would prove difficult. The regulator and the insurance players have also voiced grievances against these recommendations.

Basavanthappa, C. and Rajanalkar Laxman (2009)\textsuperscript{88} in their article on “Performance of Life Insurance Companies: A Comparative Study” show that the Private Insurance Companies have made their presence felt and over the years have achieved remarkable progress. There is a big opportunity to these companies in the Indian Life Insurance Sector. 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 also the public.

Krishna Swami, G. (2009)\textsuperscript{89} in his book “Principles and Practice of Life Insurance” explains clearly the history of insurance, advantages of insurance and the role of insurance in the economy and also in the society. The life insurance products, the concepts of premium, investment management and solvency margin are also discussed at length in the book.

Murthy, T.N. \textit{et.al}, (2009)\textsuperscript{90} in their article on “Performance Evaluation of LIC: Ways of Winning Confidence” conclude that several changes have

\textsuperscript{87} The Bureau, “Pay Agent Fee in Installments: Committee Recommendations Vs. Insurance Sector”, \textit{The Hindu Business Line}, November 22, 2009.
taken place since opening up of the insurance sector. After liberalization, insurance industry’s outlook has been changed significantly. The number of private players and their innovative products are also made attractive for every social segment. The healthier competition has intensified to increase insurance density and penetration levels in order to fulfill customer needs.

Mrinalini Shah and Shweta Dixit (2009) in their article on “Distribution Channels for Incumbent Rural Insurance Industry Confidence” conceptualize that the penetration of rural insurance in India requires a fresh approach to sell rural insurance products because of the limitations in insurance business. Since this activity revolves around agriculture, suitable insurance cover to the needs of the targeted rural customers has to be addressed.

Mishra, K.C. and Mangala Bakshi (2009) in their book on “Insurance Business Environment and Insurance Company Operations” have blended the modern day advancements in the field of insurance with conventional insurance knowledge and practice. This book has given a revised standard in the field of insurance academics, giving them a platform to build upon for posterity.

Shri Krishna Laxman Karve (2009) in his book on “Principles of Life Insurance” provides an understanding of the elementary principles of life insurance and their relevance to the present day insurance society. An in-depth analysis of the factors affecting measurement of risk and also the features of different life insurance products are given in the book. The process of salesmanship for enabling the prospective agent to imbibe the spirit and substance of the art of life insurance selling is also discussed.

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Sahoo, S.C. and Das, S.C. (2009)\textsuperscript{94} in their book on “Insurance Management” provide a comprehensive insight into the basics of risk management and life insurance. The various facets of the IRDA’s regulations are also analysed at appropriate places in the book. It also covers the social and rural sector obligations of the insurance companies, role of information technology in insurance marketing and various aspects of competitive environment such as mindset of the consumers, adequacy of capital, market related policies and cost-consciousness.

Pranav Prashad (2009)\textsuperscript{95} in his article on “Catalyst for Financial Inclusion – Insurance in the Rural and Social Sector” asserts that several production systems of the rural folk have associated risks which may lead to income and revenue loss and these can be mitigated only through insurance leading to stabilization of income and reduced poverty. Given the changing eco-systems and improved infrastructure, the need is to look beyond this obligatory requirement and see that the rural sector as a commercial and for profit opportunity for insurers.

Sumninder Kaur Bawa and Subash Chander (2009)\textsuperscript{96} in their article on “Prospects of Bancassurance in India” opine that the entire banking network caters to the needs of people in every economic segment and in widely diverse geographical regions. Thus, banks can change the face of insurance distribution. Hence, bancassurance can catalyst the growth of insurance in this huge untapped market.


aspects, principles of life insurance, life insurance products, policy conditions, underwriting, pricing, policy servicing and policy benefit payments in a more clear and analytical manner so that a layman can understand the same without any ambiguity.

Mishra, K.C. and Venugopal, R. (2009)\(^98\) in their book on “Life Insurance Underwriting” discuss at length underwriting basics, philosophy and guidelines of underwriting, sources of underwriting information, physiological systems, technology in underwriting, pricing fundamentals and modern developments and practices in the technology of underwriting. All these aspects are very useful to have an in-depth understanding on insurance underwriting.

Dutta Subit (2010)\(^99\) in his thesis on “Marketing Strategy of Life Insurance Corporation of India in the context of Liberalisation of Insurance Sector (A Study with Special reference to Silchar Division)” makes a study of the insurance marketing strategies of the public sector giant after liberalisation in Silchar Division and finds that the customer awareness has improved on insurance products and also the efficiency of marketing of these products by the Corporation is also augmented due to increased competition from private insurance players.

Bishnoi Mahender (2010)\(^100\) in his thesis on “CRM Strategies in Indian Life Insurance Industry – A Comparative Study of Public and Private Sector” expresses that the prompt settlement of a genuine claim is an important function of the insurance industry and also a foundation for the CRM Strategies. Further, the CRM strategies are proved to help the company to

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address the important concerns of the customers and also build their patronage continuously. The potential competition in the industry pushed the way of accepting CRM strategies.

Ashvin Parekh (2010)\textsuperscript{101} in his article on “Importance of Training in Insurance – Value creator and Enabler of Performance” stresses the need to train in human resources in order that corporate goals are achieved. He opines that insurance is a difficult product to sell owing to the financial complexity, low financial literacy and lack of awareness among the consumers of the need for such a product. Hence, training modules must be in tune with the organization’s vision, mission and strategic objectives.

Ayem Perumal, S. (2010)\textsuperscript{102} in his article on “Impact of Economic Globalization and Consumer Expectation in Life Insurance” explains that the business environment for the insurance sector has been fast changing, bringing new opportunities and posing new challenges. He further asserts that the major challenges are market volatility, ever-changing customer needs and structural limitations.

Jawaharlal, U. (2010)\textsuperscript{103} in his article under vantage point on “Product Design and Development – Key to Long-Term Success” observes that the designing of new products is dependent on the regulatory environment prevailing in the industry. Looking at the importance of the issue, progressive improvements have been made regularly. The introduction of ‘combi-products’ is a step in this direction and it is hoped that insurers will make best use of the new initiatives and design consumer-oriented products accordingly.

Sreesha, Ch. and Joseph, M.A. (2010)\textsuperscript{104} in their article on “Bancassurance: A Case of SBI Life Insurance” express that the only matter of concern is how to adjust the existence of insurance players to the changing scenario of increased competition which is expected to further increase due to the entry of big players both from the banking and insurance sectors to capture the huge untapped market. They also mention that as on date no insurance player has moved away from bancassurance and the future seems to be bright.

Nagaraja Rao, K. (2010)\textsuperscript{105} in his article on “Challenges in Designing Need Based Products in Life Insurance for Inclusive Growth in India” analyses the challenges faced by the insurers in designing need-based products in insurance for inclusive growth and concludes that the policies of life insurance companies are still not rural-centric catering to the specific needs of the people. With a view to popularizing life insurance, he recommends that the consumers need to study the rural market, analyse the specific needs of each segment and design innovative products to suit to the requests of the people to the objective of inclusive growth.

Rajagopalan Krishnamurthy (2010)\textsuperscript{106} in his article on “Reaching New Frontiers – India Bancassurance” reviews the key findings of the India Bancassurance Benchmarking Survey, 2010, a Research Study from Towers Watson. The survey reflects the views of a cross section of insurers and bank intermediaries. Some findings of the Survey are that the average tenure of tie-up with private/foreign banks tended to be longer than the tie-up with the public sector banks. In mature markets, bank distribution agreements have run for an average period of 5 years. About 50 per cent of the life insurers


complain that the excessive demands from the banks for commission and other payouts is the top issue faced.

Selvankumar, M. and Vimal Priyan, J. (2010)\textsuperscript{107} in their article on “Indian Life Insurance Industry: Prospects of Private Sector” express that the Growth in Insurance Industry has been spurred by product innovation, vibrant distribution channels coupled with targeted publicity and promotional campaigns by the insurers. Innovations have come not only in the form of the benefits attached to the products but also in the delivery mechanism through various marketing tie-ups within the realm of financial services inside and outside.

Anand Pejawar (2010)\textsuperscript{108} in his article on “Pro-active Customer Service – Key to Success in Life Insurance” opines that there is an increasing emphasis on prompt customer service and adds that companies have to be imaginative in finding new ways of rendering it. The pre-sale service, though of a different nature, is equally important as the post-sale service unlike other service industry. In case of life insurance, the post-sale service is quite unique and attained more importance due to its long nature/tenure of the product as it has to run throughout the tenure of the policy. This can range anywhere between 3-5 years to life long i.e. 40-50 years.

Majumdar, N. (2010)\textsuperscript{109} of Indian Insurance Institute, Kolkata in his technical paper entitled “How to Increase Life Insurance Penetration in the Next Decade – Innovation Techniques, Channels of Design and Products” makes a presentation highlighting therein the buying behavior of life insurance


\textsuperscript{109} Majumdar, N., “How to Increase Life Insurance Penetration in the Next Decade – Innovation Techniques, Channels of Design and Products”, Paper presented at the 55\textsuperscript{th} Annual Conference of Insurance Institute of India held on 4 and 5\textsuperscript{th} September, 2010 at Visakhapatnam.
in India, reasons for low penetration and what the insurers can do to raise insurance penetration?

Shendey B.K. and Neelkant Rao, (2010)\textsuperscript{110} in his article on “Trends in Insurance Industry in India since 21\textsuperscript{st} Century” finds that the entry of new players has enabled up the spread of life insurance. The monopoly of LIC of India has come to end in insurance sector. Total life insurance premium of an Indian Insurance Industry has increased four-folds since liberalization of insurance industry. LIC has been taking measures to increase its policyholder base through various new schemes like children education, pension plans and constant monitoring of these policies.

Priya Kapoor (2010)\textsuperscript{111} in her article on “Same Protection, Lower Premiums” claims that the term plans which are seldom pushed by agents, yet they are the best form of insurance. These are being sold at premiums 40-50 per cent lower than what they were about 1-2 year ago. Much of this is due to the growing competition in the insurance market.

Shashidharan Kutty, (2010)\textsuperscript{112} in his article on “Indian Life Insurance – The Millennial Decade” elaborates the qualitative development in the Life Insurance Industry during the last decade, both in the global and also in the Indian context. In his empirical analysis, he finds that the dominant paradigm in sales has been to build the sales infrastructure. Somehow, the growth would automatically materialize and the selling competence will also been enhanced. But, the life insurance, as an industry, is mostly built on trust, protection, preservation and long-term opportunity.

Vethirajan, C. (2010)\textsuperscript{113} in his article on “Insurance Competition Hotting Up” advocates that with so many competitors in insurance industry, it becomes imperative for the insurance players to consider the service to policyholders as their prime objective. They have to settle claims promptly, reduce the management and operating expenses reasonably and introduce novel products that are more practical in nature.

Sarvjeet Kaur (2010)\textsuperscript{114} in his thesis on “Marketing Strategies of Life Insurance Companies (A Comparative Study of Public and Private Sector)” discusses each and every marketing strategy that reflected different skills and requirements for its success. As such, marketing strategies of the insurance players will necessarily revolve around products, competitive environment and technological factors.

Mohmed Amin Mir (2010)\textsuperscript{115} in his thesis on “Growth pattern of Foreign Direct Investment in India since Liberalization: A Case Study of Indian Insurance Sector” discusses the pros and cons of the proposed rise of the cap on FDI in the insurance sector from 26 to 49 percent. He opines that many private insurers welcomed the move as it raises their capital base. This helps maintain adequate solvency margin and bears the escalated initial operation costs low.

Sailender Singh (2010)\textsuperscript{116} in his thesis on “The Investment Pattern of Life Insurance Corporation of India and Its Customers” focuses on investment management of insurers. He lists out the characteristics of the emerging markets and the constraints faced by LIC in having a profitable and active

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\textsuperscript{113} Vethirajan, C., “Insurance Competition Hotting Up”, \textit{Facts For You}, December, 2010, p.36.
\end{flushleft}
portfolio. The regulations of the IRDA, in some cases, act as a dis-incentive for an active investment strategy of the LIC.

Ahuja Alka Harneja Nee Alka (2010)\textsuperscript{117} in the thesis titled “Personal Insurance Decision-making Process in India” emphasizes that as an economy is developing, the mindset and emotions of the people are also changing at a rapid pace and the decision to buy an insurance product is mainly affected by the advice of the family members, neighbours, agents and also a desire to save income-tax. Risk coverage and company’s brand name are commonly considered the most important factors of the advice.

Shveta (2010)\textsuperscript{118} in her thesis on “The Changing Face of Insurance Sector in India with Special Reference to Health Insurance”, asserts that the growth in the sale of health insurance policies of the insurers after liberalization of the insurance sector and the increased health-consciousness of our population has virtually changed the face of Indian insurance industry accompanied by some related challenges.

Suresh Kumar (2010)\textsuperscript{119} in his thesis on “Valuation of Human Resource in Public Sector Undertaking: A Case Study of Life Insurance Corporation of India” discusses the important role played by human resources in the LIC of India, a public sector giant, in the Indian insurance market. The monetary evaluation of the importance of this role is also discussed.

Periasamy, P. (2010)\textsuperscript{120} in his book on “Principles and Practice of Insurance” gives a comprehensive view on the privatization of insurance business in India. The background, the ways and the contribution of

privatization of life insurance business to an economy are discussed. The conditions for the success of private insurers are dealt with suitably and also in a comprehensive manner.

Mishra, M.N. and Mishra, S.B. (2010)\textsuperscript{121} in their book on “Insurance Principles and Practice” discuss the prospects of insurance companies, privatization of insurance industry, insurance innovation, corporate governance, bancassurance and international insurance. It includes all the latest provisions of insurance legislation beginning from the totally amended Insurance Act, 1993 to IRDA (Protection of Policyholders’ Interests) Regulation, 2002. It also deals with the latest development of Insurance in India and abroad along with the possibilities of managing the same amicably and also profitably.

Gupta, P.K. (2010)\textsuperscript{122} in his book on “Insurance and Risk Management” has attempted to give a more in-depth analysis on the functional areas of insurance business, design and development of products, management of claims, pricing and marketing of products and the financial operations of insurance companies. It also elaborates the Asset-Liability Management Aspects of the insurance companies.

Surya Prakash Rao, B.K. and Prasad, G. (2011)\textsuperscript{123} in their article on ‘LIC: The Front Runner in CSR’ emphasized the role played by the public sector insurer, LIC of India, in fulfilling its responsibility towards the society. They considered the Corporation as a model organization and also a front runner in Corporate Social Responsibility.

Baradhwaj, C.L. (2011)\textsuperscript{124} in his article on “Practising the Spirit of Service – CSR in Insurance” contends that insurers need not look far for implementing the Corporate Social Responsibility (CSR) Philosophy but adopt simple practices of serving the clientele effectively and demonstrate their zeal to improve the overall standards of life. CSR is the deliberate inclusion of public interest into corporate decision-making and the honouring of a triple bottom line: people, planet and profit.

James, P.C., (2011)\textsuperscript{125} emphasizes in his article on “ERM for Insurers – The Core Agenda” that risk management for insurer is not merely a one-off sporadic exercise but an on-going management strategy which is at the core of their governance. There is a strategic side to operations that lies at higher corporate levels and is prone to large failures when done wrongly. Strategies are translated into day to day decision-making properly and promptly.

Murali, K. (2011)\textsuperscript{126} in his article on “Beyond the Horizon – Wacky and Weird Insurance Policies” states that there are some strange insurance products in the global insurance market beyond the routine covers that one has got to see more regularly. Such insurance covers that make an insured to look into are celebrity body parts insurance, moustache insurance, prize payout insurance, horse breeding insurance, casino insurance, lottery winnings insurance, virgins against pregnancy insurance, judge insurance and paternity insurance.

Sandeep Bakhshi (2011)\textsuperscript{127} in his article on “Beyond Mere Accounting – International Financial Reporting Standards” writes that the reporting standards are essentially principles-based and as such, it is for the

industry participants to demonstrate sufficient maturity to ensure that the regime is eventually successful. The standards seek to differentiate between contracts that can be separated into distinct insurance and investment components and those that can not be separated.

Ramakrishnan, R. (2011)\textsuperscript{128} in his article on “Hunt for Actuary in the IRDA” observes that an actuary with 15 years experience, or an appointed actuary at present, is getting about three times the remuneration offered by the Government. He further states that the actuary is a rarely visible profession and posing some peculiar problems to even to the Ministry of Finance for filling up of the vacancy of the Member (actuary) on the Board of IRDA.

RESEARCH GAP

An analysis of the above mentioned literature indicates that most of the studies were understood to be confined mainly to an opinion poll on insurance awareness and marketing strategies of insurance products. Further, these studies assessed the performance of the insurance sector from a particular and a very specific dimension. No comprehensive study seems to have been undertaken so far to evaluate the performance of public and private sector insurance players in all respects.

STATEMENT OF THE PROBLEM

Evaluation is, generally, a method of assessing and identifying how far an activity or an operation of an organization has progressed. With regard to life insurance players in the Indian insurance market, it is more imperative to pursue the objectives in a more liberalized market scenario. The most important objectives are the spread of insurance awareness amongst prospecting public, increasing levels of insurance penetration and meeting rural and social obligations.

\textsuperscript{128} Ramakrishnan, R., “Hunt for Actuary in the IRDA”, \textit{The Hindu}, June 13, 2011.
Many variables are responsible for growth in the insurance business and most important of these are the factors relating to financial, technology, quality of the product, personal and customer servicing. Besides, efficient internal manpower and operational policies, the operations of insurance companies are also influenced by the exogenous factors like the policies of the government, the IRDA, competition amongst public and private sector insurance players and several other economic conditions. These pose major challenges to the efficient functioning of the players.

The insurance companies are undertaking multi-faceted activities. Any evaluation of their performance has to take into account the entire stream of activities and functions performed by them. Against this backdrop, an analysis of the performance of the public sector LIC of India and the private sector 22 companies working in the Indian life insurance market in terms of these broad variables is very crucial and essential. Empirical findings on these variables for a period of one decade between public and private sector insurance players may be conducted to enable the managements of these companies to stay on top of its working position.

NEED FOR THE STUDY

An enquiry into the nature and factors responsible for performance of the LIC of India and also the private sector insurance players during the period 2000-01 to 2009-10 will be helpful in formulating the future course of action in the area of product innovation and development, asset-liability management and customer relationship management of the life insurance players in India.

This will enable the Government, IRDA, LIC of India, private sector players, employees, insurance marketers and the policyholders to know the causes underlying the existing position, to understand and appreciate the other stakeholders’ attitude and to promote compromising and conciliatory
behaviour which is the essential pre-requisite for the healthy growth of life insurance industry in our country. It is hoped that this study will be useful in the context of the imperative need for toning up the efficiency of the working of both the public and private sector units, which are expected to play a crucial role in the years to come and give a new outlook to the life insurance policy laid down by the Government and the IRDA.

Its aim is also to find out why certain deficiencies have occurred and how they can be avoided. It requires naturally a lot of objective assessment of the problems with the application of statistical techniques. It will also be useful to bring to light many aspects, with broader perspective, of the performance evaluation of the life insurance industry that contribute for higher insurance penetration and better customer service are brought to light.

It is also hoped that the data presented, the observations made and conclusions arrived at in this study will be useful for inter-sectoral comparison, not only in the case of other players who newly entered and those who are proposed to enter in the years to come in the insurance sector. Therefore, a study of this sort is undertaken in a more judicious manner.

OBJECTIVES

Indian life insurance industry has undergone a sea change. It has experienced new challenges of intense competition and struggle for survival since the introduction of insurance reforms since 1999. The reforms in the insurance sector are continuous and they should be made more transparent, viable and sound in the changing economic environment. The future of the liberalized insurance industry is a big challenge to many stakeholders. The variables which reflect the growth and development aspects of the life insurance industry include among others new business, product development, social obligations, profitability, distribution channels and customer servicing. Hence, the major focus of the present study is on the following objectives:
• To study the patterns of growth and development of life insurance industry in India during a ten-year period (2001 to 2010) of insurance liberalisation and also opening up of the insurance to the private sector;

• To identify, select and analyze the variables determining the growth and development of life insurance industry in India during the study period;

• To study the performance of public and private sector life insurance units in a comparative manner on the basis of the selected variables;

• To find out the strengths and weaknesses of the life insurance players with regard to their performance in the post-liberalised scenario; and

• To suggest suitable measures, wherever necessary to the policymakers concerned for improving their performance, productivity and profitability.

METHODOLOGY AND USE OF STATISTICAL TECHNIQUES

The present study is mainly based on secondary data. The data are collected from the records and reports of the IRDA, LIC, Life Insurance Council and all the 22 private sector insurance companies. In addition, information is also elicited from the officers of the life insurance industry through personal interviews at different levels on different topics. Information is also collected from the books and periodicals of insurance importance from time to time during the study. The data published by different insurance consultancy organizations have also been used for this study. Further, information has also been collected by visiting the websites of different insurance players and also the Regulator where the information in some segments is lacking.
The data so collected from different sources have been analyzed by using the suitable statistical techniques like mean, standard deviation, skewness, correlation and regression analysis and incorporating values of the same in the relevant columns of the tables with line graphs, regression plots and scatter plots for arriving at meaningful and accurate conclusions on the stability and consistency in the growth rate and market share of both LIC and Private Sector life insurers during the study period. A linear mathematical model is also applied for comparing the observed figures with the linear trend values.

The mean is the sum of the values divided by the number of values. It is a type of arithmetic mean. The mean is often quoted along with the standard deviation. The mean describes the central location of the data. The standard deviation is a widely used measure of variability or diversity used in statistics and probability. It shows how much variation or dispersion exists from the average. A low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data points are spread out over a large range of values. The skewness is a measure of the asymmetry of the probability distribution of a real-valued random variable. The skewness value can be positive or negative or even undefined. A positive skew indicates that the tail on the right side is longer than the left side and the bulk of the values lie to the left of the mean. A negative skew indicates that the tail on the left side is longer than the right side and the bulk of the value lie to the right of the mean. A zero value indicates that the values are evenly distributed on both sides of the mean.

The scatter plot is a simple way to examine the data in correlation. This is a graph in which the horizontal axis (X-axis) represents one of the variables and the vertical axis (Y-axis) represents the other. If the points are totally scattered, there is no relationship between the two variables. If there exists linear or curvilinear relationship, then the variables are related. If the variables
are perfectly related, they will form a straight line. If there is no relationship then $r = 0.0$ or vice-versa.

In regression analysis, one variable is logically dependent on the other variable. The analysis provides the best fitting straight line through plot. To describe the line, we must have two pieces of information i.e., the slope of the line, $b$ and the y-intercept of the line, $a$. The slope measures how much the y-variable changes for each unit of change in the x-variable (+ means the line rises and – means the line falls). The y-intercept tells us where the line starts (i.e. the value of y when $x=0$). We can use the formula for a straight line $Y = a + bX$. Regression plots are used.

If the significance value of the ‘F’ statistic is small (smaller than say 0.05) then the independent variables do a good job explaining the variation in the dependent variable. If the significance value of ‘F’ is larger than say 0.05, then the independent variables do not explain the variation in the dependent variable. $R^2$ square value is the adequacy of the linear model which is judged with the help of a value called $R^2$ square value. It is the square of the correlation coefficient and lies between 0 and 1. If the value of $R^2$ square is high and close to ‘1’, it may be said that the linear model is a good fit.

**HYPOTHESES**

In relevance to the objectives stated above, it is more imperative to formulate hypothesis highlighting the comparative analysis of the performance of both public and private sector life insurance players in India after liberalization. In fact, there is a lot of improvement with regard to the policies and practices of these insurance players after insurance reforms. Hence, the following hypotheses are made and subjected to testing in the study:

Ho$_1$: The liberalization of the life insurance sector is expected to increase the levels of insurance penetration and also to spread insurance awareness among larger segments of population;
Ho2: The structural transformation of life insurance industry in India after opening up of the entry of new private insurance players has created intense competition to LIC. As a result, LIC is expected to re-design its traditional marketing and sales strategies to suit the needs of the customers for retaining its market dominance;

Ho3: Liberalization of insurance sector in India has a significant role to play in the efficiency of the services rendered by the insurance players; and

Ho4: Insurance sector reforms have enabled both the public and private sector life insurance players to apply the latest technology for more efficient delivery of services to customers.

PERIOD OF STUDY

The present study covers a period of ten years from 2000-01 to 2009-10 during which the implementation of the insurance sector reforms have been progressing. The period of one decade is considered, to some extent, a reasonable period for a study of this nature which seeks to identify the problems faced by the insurance players and to suggest measures wherever necessary that go a long way to make the Indian life insurance industry strong enough to overcome these problems. Though the year 2009-10 is the last year of the period of the present study, the quantitative and qualitative developments taken place after 2010 have also been incorporated at relevant places of the study to have an in-depth analysis and also for a proper interpretation of data. This is necessitated to arrive at meaningful and practical solutions to the problems which are very much dependable and highly worthy of consideration by the insurance players and also the Regulator.

SCOPE OF THE STUDY

As spelled out in the objectives, the study confines only to the performance of the public and private sector insurance players during the post-liberalization regime. It is hoped that a comparison of performance of this
kind would help to bring out factors associated with efficient and inefficient functioning of the units. This would also open the way for an elaborate analysis of the functioning of the LIC of India in comparison to the functioning of the private sector life insurance companies.

Before one goes for assessment, there is also a need to know the factors that drive the efficiency and effectiveness and to which the insurance players have to pay due attention. Efforts are also made in the study to suggest relevant strategies and solutions for a proper workable and efficient system in future in the backdrop of the problems identified so as to enable the insurers to improve their performance and profitability.

But, the scope of the conclusions arrived at in this study are limited. Many changes may take place continuously and unless we make a constant study of the impact of these changes and their influences, it may not be possible to assess correctly and comprehensively the trends in the performance of different companies. Further, the literature available on life insurance industry is also very limited and hence, the scope of the present study is made narrower.

LIMITATIONS

The study has some limitations. The present study has been limited to life insurance business and also confined to the ten-year period of post-liberalization. The non-life insurance business and the performance of the life insurance industry before liberalization are not well-considered in the study. Only the major developments taken place during the pre-liberalization period are considered wherever necessary.

The study is only representative and not an exhaustive one. Insurance industry is both extensive in area and complex in structure. An accurate picture of the present conditions of the industry could not be drawn with out a further detailed analysis of the specific conditions at different places and on different lines of trade. A comparative study between the public and private
sector units is made in the study on the basis of some selected variables only. But, there can be a greater diversity of the variables taken from other angles.

RELEVANCE FOR FUTURE RESEARCH

The domains of the present study have been established mostly through literature review and the research gap in the area of performance evaluation of insurance players constitutes a cause of concern for both academicians and insurance consultants. This concern has been further intensified with the occurrence of the rapidly changing practices in the life insurance scenario. A little effort was made in the study to understand whether these practices were a success or a failure. There is an abundant area of research on the performance management of life insurance players in our country which has to be covered at a significant level. This area has got a potential for further research by the researchers in future. The present study can serve as a platform for future work on the subject and this will naturally stimulate new ideas and also further research on the subject.

FRAMEWORK

The study is divided into eight Chapters. The evolutionary development of life insurance system in India and the major features of insurance reforms are discussed in Chapter One. The review of literature, objectives and methodology of the study are analyzed in Chapter Two. The profile of life insurance players is given in Chapter Three. Chapter Four discusses the various facets of product innovation and development. Chapter Five gives an analytical picture of investment management of the life insurance players. The highlights of insurance marketing and distribution are considered in Chapter Six. Chapter Seven analyses the customer relationship management practices of the life insurers. Chapter Eight, being the last Chapter, seeks to analyze the findings and discusses briefly, the suggestions emerging out these findings.