CHAPTER - VI

CONCLUSION AND SUGGESTIONS
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6.1 Conclusion:

The new millennium has exposed the insurance sector to new challenges of competition and struggle for survival. The era of privatization, liberalization, deregulation and globalization has let loose a sense of urgency and neo-activism. The insurance services industry nationally and internationally is huge, growing and of critical significance to the health of the economy as well as individual businesses, investors, consumers and employees. The progress of insurance in any developing country is generally linked with the rapid industrialization and overall progress of the country. In the emerging scenario, the insurance sector must pay attention to product innovation, appropriate pricing and speedy settlement of claims.

In today’s competitive insurance markets, challenges are many and so are uncertainties. Customers are better informed and more demanding and add to this the multiple channels, which in themselves open up new areas of competition. So products cannot be the only area of difference. To survive and thrive, companies must seek new models of operational and strategic success that enable innovation. The approach must be to address key strategic business issues like being more responsive to the market, quickly identifying and acting on opportunities, managing resources better etc.

The cross case analysis reveals that the total number of products offered by the four private sector companies considered for the study is less than the products offered by LIC. Since today’s customers require tailor made solutions, companies need to be pro-active in introducing products and riders based on not only the expressed needs of the customers but also focus on the latent as well as likely
emerging needs of the future in order to sustain their growth as well as ensure high
degree of customer satisfaction.

The solvency ratio of the private sector insurers has been better than LIC during the entire study period indicating that the private players have better ability to meet their obligations. It is also interesting to note that none of the companies have consistently improved their solvency ratio and their considerable degree of fluctuation.

Though the proportion of renewal premium had been declining in the case of LIC it has recovered in the year 2008-09 while the performance of Birla SunLife is a cause of concern because its renewal premium has been declining during 2007-09.

Based on the parameter of average actuarial efficiency for the period under review, ICICI Prudential is ranked number one with the benefits paid as proportion of premium earned at 0.008, Bajaj Allianz is ranked second at 0.067, Birla SunLife third at 0.08, HDFC StandardLife fourth at 0.32 and LIC is ranked last at 0.52.

Birla SunLife Insurance is the top ranked company based on the average marketing efficiency at 28.3, LIC is ranked second at 20.24, ICICI Prudential is ranked third at 10.45, HDFC StandardLife is ranked fourth at 8.92 and Bajaj Allianz last at 6.07.

The lapse ratio of Birla SunLife, HDFC StandardLife and LIC has been in single digits throughout the study period which is a good sign. Bajaj Allianz was placed in the fourth position throughout the entire study period and the company was able to reduce its lapse ratio from 21 per cent in 2004-05 to 14 per cent. ICICI Prudential was the last ranked company in this parameter and its lapse ratio which was declining for the period 2004-07 from 36 per cent to 29 per cent and 26 per cent had shot up during 2007-09 to 40 per cent and 53 per cent.
Taking the average productivity of the agency force for the study period into consideration, we can find that LIC is the leader. The average business generated by an agent of the company is Rs.2.03 lakhs. ICICI Prudential is ranked second with its agents generating an average business of Rs.1.34 lakh, Bajaj Allianz is ranked third with an agent productivity of Rs.1.21 lakh, HDFC StandardLife is ranked fourth with its agents generating average business of Rs.1.04 lakh while Birla SunLife is ranked last with its average agent generating business of Rs.0.87 lakh. It is pertinent to note that the average business generated by an agent of the leading company LIC is 233 per cent higher than that of the business generated by an agent of the last ranked company, Birla SunLife Insurance.

LIC is the clear leader in this parameter with the average business generated by its unit managers at Rs.76.34 lakh. The second ranked company is ICICI Prudential with average business generation by its unit managers at Rs.29.76 lakh. The difference in the business productivity of the unit managers between the first ranked company, LIC and the second ranked company, ICICI Prudential is a huge Rs.46.59 lakh with LIC’s performance being 256.51 per cent higher than that of its nearest competitor. Bajaj Allianz with average unit manager business productivity of Rs.27.34 lakh is ranked third, HDFC StandardLife is ranked fourth with average business generated of Rs.17.4 lakh while Birla SunLife is ranked last at Rs.16.45 lakh.

6.2 Suggestions:
1. In order to tap the tremendous latent potential of the Indian life insurance sector, life insurance companies must build up strong brands and a distribution network by appointing agents, seek to tap virgin segments and introduce products that are imaginatively designed and competitively priced. Life insurance companies have a responsibility to perform, insurance has to become more affordable
and attractive. There is also a need to reach out to the segments of population who
despite the Publicity hype and advertising blitzkrieg have largely remained without
the protective cover of life insurance.

2. In India life insurance will continue to be sold as against bought for
several more years. The need is to reach out to the prospective customers and to be
pro-active and aggressive in marketing strategy. Agents need to be professional and
properly trained and what is equally important, tenacious and aggressive in their
marketing. The unorganized sector remains largely uncovered. Moreover, Indian
ethnic population is increasingly migrating to other countries for jobs and business
opportunities. Indian companies should cover this segment more effectively than ever
before.

3. All the private sector companies have huge accumulated losses mainly
due to the high cost of operations. The commission ratio, management expenses ratio
and operating expenses ratio of the private players is significantly higher than that of
LICI. Though in the initial years of setting up of operations and expansion of
business, cost escalation is inescapable, considering the fact that most of them have
been in the business for nearly a decade, there is a compelling need to drive down the
costs in order to tread the path of profitability. Companies need to focus on cost
efficiencies and ensure increased revenue generation for every rupee spent. Though
some of the private companies have begun the process of cost rationalization, the
efforts need to be speeded up and sustained.

4. While most of the companies offer a wide range of payment options,
Bajaj Allianz offer only four types of payment options. Considering the paucity of
time in today’s busy world as well as the over riding preference of consumers for
convenience, the company should explore the possibility of widening the premium
payment options. This would not only ensure convenience to the customer but also ensure better flow of premiums to the company.

5. Business generation through alternate channels is an optimal way to reduce costs and improve profitability. Considering the private sector companies success in generating an increasing share of revenue through alternate channels, the performance of LICCI in this regard with less than 3 per cent of business generation through alternate channels points out to the huge scope for improvement. The company should actively focus on shoring up its alternate channels and focus on improved business generation.

6. The policy holders' liability to shareholder funds has increased from considerably for the companies considered for the study indicating the need for capital infusion to reduce the risk profile of the company.

7. Though the private sector insurers have been taking efforts to reduce their operating expenses, even at the level in 2008-09, the operating expenses ratio is on the higher side. Therefore they have to focus on cost control and cost reduction and exercise efficient monitoring of costs to further bring down the ratio.

8. Most of the respondents have responded that the major factor influencing respondents to take insurance is tax benefits. It is imperative that the regulator and the insurance companies create awareness through consumer awareness and financial literacy programs about the need to consider insurance as a risk mitigation tool rather than as a mere tax savings device. This would enable the customers to understand insurance in the right perspective and adequately cover their risks.

9. Less than 5 per cent of the respondents have chosen term plans while majority of them have opted for ULIPs. Though ULIPs provide insurance and
investment benefits, the fact needs to be remembered that they carry downside risks of decline in equity markets. Therefore for the risk averse, terms plans would be the right choice since they provide higher coverage at a lower cost. The need of the hour is to create better awareness of term plans among the target customers.

10. On the basis of perception of various attributes, respondents have given the last rank to LIC for premium, riders and customer service, HDFC StandardLife for claim settlement and Birla SunLife for safety of principal. Therefore the companies need to concentrate their efforts on improving their performance efficiency in the above mentioned parameters.

11. While more than half of the proportion of private life insurers’ customers have opined that their insurance plan maximises return from investment, it is pertinent to note that 65% of LIC’s customers disagree or strongly disagree that their plan maximises return from investment. Therefore LIC should focus on improving its return from investment by prudent stock selection and asset allocation strategies.

12. While more than half of the proportion of the private sector life insurance company’s customers are aware of the terms and conditions of the policy, majority of LIC’s customers are not aware. Since one of the important reasons for lapsation is mismatch of policy features and the customers expectations, the life insurance major should guide its agents and unit managers to clearly explain the product features, cost and benefits to the prospective customers. This would enable customers to take informed decisions and enable continuous patronage of the company.

13. Majority of the customers of LIC have responded that they faced difficulties in producing the required documents. This indicates the need for LIC to
simplify its documentation procedures as well as guide the customers regarding the
documents required.

14. Customers of Bajaj Allianz and HDFC StandardLife have ranked
accessibility as the most important factor that requires improvement at the branch
level, while it is courteous behaviour of staff for customers of Birla Sunlife and LICI
and responsiveness of staff for ICICI Prudential’s customers. Therefore companies
should focus on improving upon the above parameters.

15. Except in the case of Birla SunLife, customers of all other companies
have ranked quality as the most important factor that requires improvement in the
brochures of the company. Birla SunLife’s customers have ranked comprehensiveness
of information as the most important attribute requiring improvement. Therefore
companies should ensure improving upon the above mentioned attributes in order to
improve customer satisfaction.

16. With regard to the ranking of various attributes of the website that
require improvement, customers of Bajaj Allianz have mentioned easy navigation, it
is updated information in the case of HDFC StandardLife and ICICI Prudential while
it is transaction security for customers of Birla SunLife and LICI. Since online selling
of policies is an attractive option to increase sales at a lower cost, companies should
take steps to further improve the features of the website pointed out by customers in
order to generate better customer traffic, increase eye ball share as well as grow the
online channel.

17. With regard to after sales service, customers of Bajaj Allianz and
ICICI Prudential have opined that reminders regarding premium payment is the most
important attribute requiring improvement while it is answering queries in case of
Birla SunLife and LICI and updated NAV information with respect to HDFC
StandardLife. Since better after-sales service is a key determinant of the tenure of the relationship of the customer with the company, the insurers should take steps to further fine-tune their efforts in order to improve the quality of their after-sales service.

18. With regard to the least satisfying attribute in case of advertising and promotional efforts, it is frequency of advertisements in the case of customers of Bajaj Allianz and timing in respect of customers of Birla SunLife, HDFC StandardLife, ICICI Prudential and LIC. Since advertising and promotional efforts are vital to sustain consumer interest in the hyper-competitive insurance sector, the companies should focus on improving the factors mentioned by the customers.

6.3 Limitations of the Study

While undertaking the research work, the researcher had identified certain limitations also which are detailed below:

1. The survey relating to customer perception and satisfaction of the products and benefits provided by insurance service providers was conducted in Chennai city and therefore the findings has certain limitations in generalisation.

2. The study was restricted to five life insurance companies operating in India and hence, the results of the study may not be applicable to the entire industry.

3. Information collected for the case studies and cross case analysis is mainly from secondary sources. Hence the analysis and interpretation of the data from case studies may have limited inferences.

6.4 Further Research Scope

The researcher has identified areas of future research. They include the quality of services provided by the insurance companies has not been studied at length.
Hence, comparative study of the service quality of various services provided by the insurance companies based on service quality models can be taken up.

Another interesting area of research could be studying the relationship between the competitive strategies adopted by the companies and their relative performance.

One more area of research interest could be the CRM strategies adopted by the companies and their relationship with the customer perception and satisfaction of the quality of products and services provided.

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