CHAPTER -1

INTRODUCTION & DESIGN
OF THE STUDY
CHAPTER - I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 INTRODUCTION :

All religions and the oldest of the holy scriptures exhort man to help his fellow-men in distress. Saints and sages of the orient as well as of the occident preach the eternal truth of 'giving relief to the suffering' and regard it as the best mode of prayer. "Under the veil of Commerce, insurance performs these ecclesiastical functions through its manifold branches. It is, infact, one of the manifestations of the noblest instinct and urge of man to 'bear each other's burden' and that too in a constructive manner".

Man has always been in search of security and protection from the early days of civilization. Human life and material possessions are continually exposed to loss or damage by numerous destructive forces. Thus, there is a great deal of uncertainty in life, in commerce and in industry. It is an undisputed fact that risk is inherent in the modern complex society. Uncertainty is a fundamental fact of life.

Human beings are aware of this uncertainty about what the future holds for them and hence they show a strong desire for security both for their lives and their possessions. The instinct of self-preservation is a very strong human instinct. The desire for security is sought to be satisfied by taking all the precautions possible to avoid or prevent the consequences of risk.

Yet, in spite of all precautions, accidents do occur. In spite of "no smoking" rule, a worker may carelessly throw a lighted cigarette end which may cause a fire in a godown; a motor cyclist may drive very carefully and yet may be knocked down by another vehicle whose driver loses control; earthquakes, floods and cyclones occur frequently causing loss of lives and damage to property; in spite of advances in aviation technology air crashes occur; the Titanic, a ship which was built to be an "unsinkable" one sank on her very first voyage. Therefore, it will be evident that the basic human instinct of taking precaution and care is not sufficient to take care of the consequences of future uncertainty. It is necessary to adopt more effective techniques or devices or methods to deal with the problem of "risk" in modern society.

This urge in man enabled him to create ways and means upon the principles of mutual co-operation. Thus, in every
The term "risk" occurs frequently in insurance transactions. To the ordinary man in the street, risk means exposure to danger. But, for insurance purposes risk means uncertainty about loss i.e., financial loss. A number of methods are in use for handling risks. They are risk avoidance, loss prevention and reduction, and transfer. The transfer of risks takes two forms.

a) transfer of the activity that creates the risk.
b) the transfer of the financial losses arising from the occurrence of the risk.

The transfer of the activity that creates the risk may be done by subcontracting the risky activities. The probability of getting a financial loss may be transferred by taking insurance. Without insurance, there would be a great deal of uncertainty experienced by an individual or enterprise not only as to whether a loss would occur, but also as to what size it would be if it did occur.

The Random House Dictionary of the English Language defines insurance as "The act, system or business of insuring property, life, one's person, etc., against loss or harm in consideration of a payment proportionate to the risk
involved... coverable by contract in which one party agrees to indemnify or reimburse another for any loss that occurs under the terms of the contract ......

W.A. Dinsdale defines insurance as "a means of spreading over the many losses which would otherwise be borne by the individual. It provides, in effect a pool to which the many contribute and out of which the few who suffer losses are compensated ".

In 1601, the preamble to an Act of England parliament stressed the need for insurance especially, for ships and merchandise adventures on a long voyage to remote parts. "... The loss lightenth rather easily upon many than heavily upon a few is the essential feature, the insured person transfers from his own shoulders the financial burden of some potential misfortune to the broader shoulders of the insurers, who in turn, for agreeing to assume a potential risk of loss, receive a payment known as premium ...." .

Thus, the need for insurance was cultivated earlier in 1601 especially for marine insurance.

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2 The Random House Dictionary of the English Language College Edition; Lawrence Urandange and Stuart Berg Flexnes, Allied publishers (P) Ltd., P.691


In the reign of Elizabeth I, the only form of insurance widely practiced was marine insurance which England had learned to transact from Italians. Later under Charles II, the Great Fire in London paved the way for launching fire insurance companies. The next insurance which took root is life insurance in the mid of eighteenth century and within the last hundred years, the application of the insurance principle to all kinds of accidents, and other misfortunes has multiplied tremendously. Thus, insurance plays a vital role in the life of citizens from the cradle to the grave.

1.2 IMPORTANCE OF GENERAL INSURANCE

1.2.1. IN ECONOMIC GROWTH:

Economic growth is the function of many variables. General insurance is increasingly becoming an important variable of growth in developing countries. "In appraising the value of any social institution, one must consider not only its readily apparent benefits, but also its more remote consequences". In decentralised democratic planning, decisions are taken by many independent units and persons within the general framework of plans. In such circumstances risks present themselves. General insurance reduces the  

extent and number of those risks, and encourages production in the process. Insurers are experts in determination of the cost of losses to the society which they spread over the entire population of insuring public and charge them in the form of Premia therefrom. In the absence of this service the business-men would have calculated the losses individually on an arbitrary basis and the society would have paid more for the goods and services down and spread it over the entire society equitably.

1.2.2 IN BUSINESS AND INDUSTRIAL PRODUCTIVITY:

In conjunction with life insurance, general insurance helps business and industrial productivity in multifarious ways. In fact its importance in commercial world has given rise to a specialised branch, called Business Insurance.

Industrial revolution brought about costly and hazardous inventions. Steam boilers, elevators, electricity and now atomic energy are all pregnant with incalculable hazards. Need to pay compensation to third parties and workmen and loss of a particular asset may be too heavy and a constant source of anxiety and worry to the businessmen and industrialists. "Fire defalcations, failures, explosions.... impoverish families that would have been relieved of the
financial shock if adequate insurance had been maintained". The businessman does not know if and when his buildings, factories or godowns may catch fire. But when they do, he suffers a tremendous loss. The lives of business, of persons or firms may be seriously disrupted if there is no arrangement to provide reimbursement for disaster. Economic position of business and industry will not be substantially impaired in case of loss duly insured.

Banks readily grant credit when security offered is insured also. Without an adequate cover a grain dealer may not be able to use grain warehouse receipt as a good security for bank advances. Mortgages on easy terms may be available when property is insured under title and fire policies. Bad debts and workmen's compensation insurances protect them from unforeseen losses. Delegation of functions is facilitated by insurance. Fidelity insurance may be a useful hedge against the likely dishonesty of a trusted employee. Insurance against windstorms, tidal waves, earthquakes, explosions, excessive rains, falling aircrafts or even man-made satellites too, increase the monetary value of property.

When the load of anxiety is shifted to insurers, the industrial productivity also increases. The reduction in the

6 Riegel R.R. and Miller J.S., Ibid., P.11
financial burden creates a favourable physical and psychological atmosphere in economic institutions. To the labour force made to believe by astute brain in the extremist ideology as a brand of social philosophy serving as panacea for their manifold ills, insurance is a sure answer. Through its various branches it may check their wanton acts of violence and consequent demoralising conditions. Industrial productivity too increases and the entire community is benefited.

In the following pages, an attempt is made to review the existing literature on the subject and to explain the design and execution of the study.

REVIEW OF LITERATURE :

General insurance business has been one of the most talked of subjects in the corporate circles recently. But research in the field of Marketing of General insurance business (Covering all classes of policies) has not taken off to the expectations. Research in the field of General insurance marketing is still in its infant stage. Though there is lot of documented evidence in the field of General insurance, there is a dearth of research base and empirical base. However, the contributions of the following writers are worth mentioning.
Arrow (1963) has identified a kind of market failure with the absence of markets to provide insurance against some uncertain events. Arrow stated that "the welfare case for insurance of all sorts is overwhelming. It follows that the government should undertake insurance where the market, for whatever reason, has failed to emerge.

Yeh and Wu (1966) concluded that a sound crop insurance programme can be established if both the technology and wealth cycles are taken into consideration in establishing the premium rate. In other words, premium rate should be adjusted if a trend due to technology and cyclical movement in weather exists in the distribution of crop yields over time.

Silver (1970) estimated income elasticities of demand for medical care from survey data. He found an income elasticity of demand for physicians' service of 85. Since he included insurance benefits in his dependent variable but

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took no account of insurance coverage among his independent variables, his estimate was certain to be biased upward.

10 Joglekar and Borude (1971) in their study examine the twin problem of dry farming—problem of very low annual precipitation and uncertainty of rainfall. The result is that there is often a serious decline in farm incomes. Crop insurance is a device to meet the problem of risks in farming.

11 Rosett and Huang, (1973) noted that the heaviest charges fall on the lowest income groups. As to take account of the fact that low-income households consume less medical care than high income households, the premium structure imposed a sort of regressive tax. If the premium does not reflect income-induced differences in expenditure, the tax is even more regressive.

12 Karen Davis, (1975) analyses the seven major national health insurance proposals. The approaches they took to

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financing health care are varied. Each proposal was examined against a set of questions derived from the three basic goals. The costs of each plan and how they would be borne by patients and tax payers of different income levels are weighted against the plan's benefits, measured by how well it fulfilled the stated goal.

13 Nordquist and Wu, (1976) studied the problem of the optimal choice of health insurance and preventive medicine for an individual faced with uncertain future health. Insurance and prevention are fundamentally different approaches to health planning in that, the former transfers income from the present to hazardous states in the future where, the latter alters present consumption to benefit future health prospects.

14 Pinto (1977) in his study analysed the need for, and the benefits of, application of productivity science in industry. He concludes that, in short, what is needed is imaginative and dynamic leadership to initiate and sustain the productivity movement in the General insurance industry.


Rao (1977) has focused his study to identify some of the major problems being faced in the marketing and servicing of non-traditional General insurance business and suggested that a separate field infrastructure should be developed for development of non-traditional business, in case more attractive incentives cannot be offered to the existing field force.

Govindaraju (1979) in his report dealt at length with the significance of public relations in the area of Life insurance, and it spared nothing towards marketing line of General insurance.

Michael Hoy (1982) in his study analyses the Welfare implications of imperfectly categorizing risks in the insurance industry under conditions of asymmetric information. The results of the Welfare implications depend on the characterization of the equilibrium positions before and after categorization.


Ahsan, Ali & Kurian (1982) in their study provide a simple, yet general, theoretical framework of agricultural insurance that may be used to explore its possibilities as a market enterprise or a state run programme. The basic decision that individual farmers undertake is to allocate an aggregate resource endowment between uncertain production and a certain prospect, say financial securities. Further they have analysed the risk-spreading role of competitive crop insurance market.

David Alan (1983) examined accident and bank insurance markets in the context of information problems, and to evaluate the effects of existing regulations. The analysis revealed that the presence of information problems and regulation in insurance markets make it difficult for both buyer and seller to assess properly the type of product sold in the market place and thus alter buyer and seller behaviour.

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Run (1984) in his study empirically examines deposit insurance decisions by the banks. These decisions reflect the Federal Deposit Insurance Corporation's (FDIC) regulatory ability and financial creditability. An important implication is that risk-related premia may not be necessary, since banks pay implicit premia for the insurance by meeting regulatory requirements.

Matthew (1984) provides a design and discussion of income insurance programme. The effects of the income insurance plan were investigated as a whole farm planning model which incorporated risk consideration.

Frank Kuen, Bao (1985) analysed Taiwan insurances regulation and supervision and made specific recommendations to help in the development of an effective system of insurance regulations and supervisions. The most important recommendation was enlargement of administrative control through creation of a Department of Insurance under the Ministry of Finance and two quasi-supervisory Organisations.


23 Jorge Luis (1985) has focused on the propriety of including investment income in the rate making formula. The results of the empirical tests allow us to conclude that the underwriting profit, and the consideration of the probability of bankruptcy are relevant factors in pricing insurance.

24 Terrence (1986) determined the feasibility of establishing a state-operated plan of self-insurance for Mississippi Pupil Transportation. After examination of the data it was determined that a combination of self-insurance and purchased excess coverage would be advantageous for the State of Mississippi.

25 Chockkalingam (1986) in his study on cattle insurance has touched the marketing techniques adopted by the insurance agents, one of the vital links in the chain of general

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insurance marketing. His study sheds light on proving insurance frauds committed in the settlement of claims in cattle insurance policies.

Eugenia (1988) analyses the effect of an extension of coverage of Unemployment Insurance (UI) programme on the unemployment rate. The results suggest that the UI coverage extension to state and local government employees added about 0.2 to 0.3 points to the state unemployment rate. The result showed that the union effect, while generally small, varies greatly depending upon the type of institution and affiliation of the union.

Jot Kai Hong (1988) in his study has attempted to establish the facts about the market structures to discover the differences among the markets and to analyse the effects of different market structures on the implementation and the costs of portfolio insurance.

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Rustagi (1988) in his study analyses the viability of the pilot crop insurance programme in India. He concluded that for reasonable values of risk aversion and of correlation between farmers and area yields, the subsidy required under the homogeneous area yield approach was less than that under individual approach.

Olson, (1989) has attempted to determine what variables are significant in predicting the type of professional liability insurance. The study uses the multinominal logic model with maximum likelihood. Only seven significant variables were identified by the model.

Larry (1989) in his study evaluated alternative pricing models and attendant risk measures for implementation in the regulation of property liability (P-L) insurance rates. The empirical results indicate that no single pricing model and risk measure provide the best performance over all phases of the testing.


30 Cox, Larry, "Pricing models and risk measures for Property - Liability insurance rate regulation", Ph.D., thesis, University of South Carolina, Dissertation
Nagarajan (1990) in his study analysed the various kinds of marketing strategies employed in Fire insurance services. The role of agents and the awareness of policy holders in fire insurance marketing was analysed. He also investigated the role of financing institutions in the marketing of fire insurance policies.

Rao (1992) emphatically underlines the need for professional handling of insurance to balance costs with advantages. Hiring of specialists and consultants to advise the insured on their insurance programmes will be considered seriously. New distributory and delivery systems of insurance services will gain a greater demand by the public.

Peter Diamond (1992) in his paper presents a new approach to organising universal health insurance. First, the Government divided the entire population into many large groups. Then, the Government created a federal health insurance system, modelled on the federal reserve system, to fill the role now played by the benefits of a large firm.


Mony (1993) highlighted the planned process of managing change in the General insurance industry. It would be better to go through the discomfort for a planned change than to face the consequences of an unplanned change forced upon us, by a multiplicity of factors like technological and information innovations, radical changes in global policy, world economy and human values. "Change is the only constant". Hence change has to be used as a productive resource by being adaptive and responsive. Being a service institution, we have declared the 1990s to be a decade of "customer care" for the general insurance industry. Let us adopt the Hitachi Slogan "No service is good service unless it satisfies customers".

Malhotra, (1993) reported that operational flexibility of insurance companies had been adversely affected due to rigid policies and Government ownership. Highly bureaucratic style of functioning of insurance companies should be allowed to develop on commercial lines, when private sector enters the field, otherwise they might suffer a big set back.

34 Mony S.V. Chairman, General insurance Corporation of India, "Managing change in the General insurance industry", SURAKSHA, Vol.1 No.1 House Magazine of G.I.C., Bombay, Oct. 1993, PP.13-16

35 Malhotra R.N. Chairman insurance reforms committee, Report of the Committee on Reforms in insurance sector, Ministry of Finance, Department of Economic Affairs, Insurance Division, New Delhi.
It is obvious that all these studies have attempted to examine the intricacies of insurance mounting in terms of its utility to society or its impact on the policyholders. None of these studies has, however, made any effort to analyse the sales performance of Development Officers and the buying pattern of general insurance services by the policyholders. The present study is therefore focused on highlighting the above said aspects so as to reveal the causes and effects of selling and buying of insurance policies.

1.4 STATEMENT OF THE PROBLEM:

Generally, people's awareness to General insurance is very low in India. Most people have understood the term insurance only in terms of life insurance. It is very difficult for the insurance company to convince the potential buyer to have a buying attitude towards the different kinds of general insurance policies. Compared with life insurance, general insurance sustains the problem of lack of awareness among the prospects and clients. Some people buy it only by the force of financing institutions (Banks, Private Financiers), and the Government. The General Insurance Corporation of India has to create an awareness for its different products both in traditional and non-traditional classes of business. Some important features are found in
the sphere of marketing general insurance business. Firstly, there is a low probability of insurance claims in Fire, Marine and many miscellaneous insurance classes excepting Motor insurance. The second feature is about the attitude of the potential buyers to postpone or avoid the general insurance policies. Even the holders of the most hazardous assets skip general insurance even though they fully know that insurance is an essential shield to protect their properties in the course of running their business or social life.

It is the prime task of the General Insurance Corporation to wipe out the feeling of the policyholders and potential buyers that taking a policy is a sheer waste. The General Insurance Corporation and the subsidiary Companies have to do spade work for the creative marketing rather than just catering to the existing demand in insurance business.

This can be achieved by the General Insurance Companies only by wide publicity and advertisement through mass media like Television, Cinema, Hoardings, Wall painting, Newspapers and other magazines, etc., coupled with good service. Further advertisement with tall promises have to be substantiated with good performances in terms of reaching out to the remotest corner with the products. This needs more
tuning of the sales force. For optimum results in general insurance marketing like any other marketing, promises in the form of advertisements have to be matched with performances in the form of service. Against this backdrop, it will be worth knowing the performance of General Insurance Companies in terms of their marketing of policies, claims settlement, and clients satisfaction. Hence the study.

1.5 OBJECTIVES OF THE PRESENT STUDY

The study is undertaken with the following objectives:

1. To study the performance of general insurance companies in marketing different types of policies.

2. To evaluate the performance of Development Officers to market general insurance policies in the study area.

3. To analyse the buying behaviour of the policyholders in the study area.

4. To identify the factors influencing the purchase of general insurance policies.

5. To suggest measures for better marketing of insurance services.
1.6 METHODOLOGY

1.6.1 SAMPLING DESIGN:

For collecting primary data field survey technique was undertaken in the study area. First, a census study of all the fiftyone Development Officers functioning in the seven important towns in the study area were contacted in person. They were contacted with a view to ascertaining their role in marketing general insurance policies. The census study was held for a period of three months between June and November, 1993. The details of the locations of all the Development Officers in the study area are exhibited in the following table.
### TABLE 1
DETAILS OF DEVELOPMENT OFFICERS WORKING IN THE FOUR SUBSIDIARIES OF G.I.C. IN THE STUDY AREA.

<table>
<thead>
<tr>
<th>Name of the town</th>
<th>Name of the General Insurance Company</th>
<th>No.of Dev. Officers</th>
<th>Total amt. of business by D.O. (in lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erode</td>
<td>United India</td>
<td>9</td>
<td>78.85</td>
</tr>
<tr>
<td></td>
<td>New India</td>
<td>6</td>
<td>71.10</td>
</tr>
<tr>
<td></td>
<td>Oriental</td>
<td>6</td>
<td>87.74</td>
</tr>
<tr>
<td></td>
<td>National</td>
<td>2</td>
<td>23.60</td>
</tr>
<tr>
<td>Gobi</td>
<td>United India</td>
<td>4</td>
<td>38.10</td>
</tr>
<tr>
<td></td>
<td>New India</td>
<td>4</td>
<td>34.60</td>
</tr>
<tr>
<td></td>
<td>Oriental</td>
<td>2</td>
<td>22.75</td>
</tr>
<tr>
<td></td>
<td>National</td>
<td>3</td>
<td>33.60</td>
</tr>
<tr>
<td>Dharapuram</td>
<td>United India</td>
<td>3</td>
<td>57.30</td>
</tr>
<tr>
<td></td>
<td>New India</td>
<td>3</td>
<td>26.5</td>
</tr>
<tr>
<td></td>
<td>Oriental</td>
<td>-</td>
<td>-----</td>
</tr>
<tr>
<td></td>
<td>National</td>
<td>-</td>
<td>-----</td>
</tr>
<tr>
<td>Perundurai</td>
<td>New India</td>
<td>2</td>
<td>24.4</td>
</tr>
<tr>
<td>Kangeyam</td>
<td>National</td>
<td>2</td>
<td>26.7</td>
</tr>
<tr>
<td>Tiruchengodu</td>
<td>Oriental</td>
<td>3</td>
<td>54.8</td>
</tr>
<tr>
<td>Bhavani</td>
<td>National</td>
<td>2</td>
<td>25.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>51</td>
<td>606.11</td>
</tr>
</tbody>
</table>
First-hand information pertaining to the behaviour, satisfaction and problems in buying insurance policies and claiming compensation from the four general insurance companies under study were collected from two hundred policy holders.

Periyar District consists of four taluks. The respondents were drawn from all the four taluks at the rate of fifty each. The selection of policyholders was made in active consultation with the Administrative Officers and Development Officers, so as to represent all categories such as rural, urban, rich, poor, educated, illiterate. The policyholders were selected on a simple random basis from the list of policyholders maintained by the Development Officers and in the offices. The geographical distribution of sample policyholders is exhibited in Table No.2

TABLE - 2
GEOGRAPHICAL DISTRIBUTION OF SAMPLE POLICYHOLDERS IN THE STUDY AREA

<table>
<thead>
<tr>
<th>Name of the town</th>
<th>Total</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Erode</td>
<td>50</td>
<td>I</td>
</tr>
<tr>
<td>Gobi</td>
<td>50</td>
<td>II</td>
</tr>
<tr>
<td>Dharapuram</td>
<td>50</td>
<td>III</td>
</tr>
<tr>
<td>Kangeyam</td>
<td>50</td>
<td>IV</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200</strong></td>
<td></td>
</tr>
</tbody>
</table>
1.6.2 DATA COLLECTION

1.6.2.1 PRIMARY DATA:

In order to fulfil the objectives set out, a census study of the Development Officers was undertaken by well-framed questionnaires and got them duly filled in. A specially designed interview schedule for the general insurance policyholders was framed and administered to selected policyholders of varying nature based on the important aspects of ownership pattern, nature of business ventures undertaken and so forth in the rural and urban areas of Periyar District.

A noteworthy feature is that all the fifty-one Development Officers filled the questionnaires with much zeal. This is due to the high level of literacy of the Development Officers and the researcher's good rapport established with them. The structured questionnaires and schedules were pre-tested and suitable modifications were carried on. The specimens of questionnaire to the Development Officers and schedules administered to the general insurance policyholders are shown in the Appendix section of this report.
1.6.2.2 SECONDARY DATA

The Primary data were supplemented by a spate of secondary sources of data. The secondary data pertaining to the study were gathered from the records of the branch, divisional and regional offices of the four subsidiaries of the GIC in Tamilnadu State and by visiting the well equipped libraries in Bangalore, Madras and Coimbatore and training centres of the four general insurance companies in Madras, the capital city of Tamilnadu State.

Secondary data were also collected from leading journals on insurance like, "The Insurance Times", "The Post", "Suraksha", "Oriental Times", "Vision" - to mention a few. A number of standard text books were gone through to obtain pertinent literature on general insurance.

1.6.2.3 DISCUSSIONS AND INFORMAL INTERVIEWS

In order to know the general working of the insurance companies, several rounds of discussions were held with knowledgeable persons in the field of general insurance such as Regional Manager, Deputy Manager, Divisional Manager, Administrative Officer, Development Officer, resource persons of training centre, and bank managers.
1.6.2.4 TOOLS OF DATA COLLECTION

By virtue of a mass of data obtained from survey research, as well as data from secondary sources collected and presented in the present report, descriptive and analytical research is considered the most appropriate for the study. The research problem, questionnaire and interview schedule were all framed accordingly. The suggestions offered in the final chapter of the present research report emerged from the inferences drawn from the census study of the Development Officers and sample surveys of general insurance policyholders.

1.6.2.5 CONSTRUCTION OF INTERVIEW SCHEDULES & QUESTIONNAIRE:

The key aspects of the present research to be studied were identified from the preliminary interviews (Pilot study) with some selected Development Officers, and policyholders. The questionnaire and schedules so drafted were circulated among some research experts and research scholars for a critical view with regard to wording, format, sequence and the like. The questionnaire were redrafted in the light of their comments.

1.6.2.6 PRE-TEST:

The questionnaire meant for Development Officers was
pre-tested with five Development Officers. Similarly, the interview schedule designed for policyholders was pre-tested with 30 general insurance policyholders. After pre-testing, necessary modifications were made in the questionnaire and the interview schedules to fit in the track of the present study.

1.7 FRAME WORK OF ANALYSIS:

The core of the study being "Marketing of General Insurance Business", the study centres around two dependent variables viz., Business done by the Development Officers and the policies bought by the insured and their relationship with the related independent variables.

1.7.1 APPROACH TO THE EXTENT OF UTILISATION:

The difference in the extent of utilisation of insurance service between the different types of policyholders based on their occupational status, income, and the nature of the property possessed, was studied by means of two way tables, percentages and averages. Using the same type of analysis, the difference in business done between the Development Officers according to their age, education, experience, membership in social club and active agents under them was studied.
The degree of influence, of the following independent variables pertaining to policyholders on their utilisation (Policy purchasing) was studied by employing quantitative techniques like averages, percentages and chi-square ($X^2$) tests as found necessary.

(i) Policyholder's Age  
(ii) Policyholder's Education  
(iii) Policyholder's Community  
(iv) Occupation of the policyholder  
(v) Income of the Policyholder  
(vi) Wealth of the policyholder  
(vii) Perception  
(viii) After sales service  
(ix) Impact of advertisement  
(x) Impact of personal selling  

In order to identify the factors influencing the purchase of insurance policies, the chi-square ($X^2$) test was used.

\[ X^2 = \frac{(O-E)^2}{E} \]

With degree of freedom (D.F.) = (c-1)(r-1) Where,

\[ O = \text{Observed frequency} \]
\[ E = \text{Expected frequency} \]
\[ c = \text{Number of Columns} \]
\[ r = \text{Number of rows} \]
1.7.2 APPROACH TO DEVELOPMENT OFFICERS:

To study the influence of selected variables on the business done by the Development Officers of the General insurance companies, a multiple regression model of the following form is used:

\[ Y = A + B_1 X_1 + B_2 X_2 + B_3 X_3 + B_4 X_4 + B_5 X_5 + e \]

Where,

- \( Y \) = Business done by the Development officers in Lakh rupees
- \( X_1 \) = Age
- \( X_2 \) = Education
- \( X_3 \) = Experience
- \( X_4 \) = Number of Working Agents
- \( X_5 \) = Renewability
- \( e \) = Disturbance terms

\( B_1 + B_2 + B_3 + \ldots + B_5 \) are the parameters to be estimated.

1.7.3 GARRET RANKING:

The approaches made by the Development Officers to procure the business, the buying practices adopted by the policyholders and their problems were identified through preliminary discussions with some Development officers and policyholders. These were then put to the respondents to rank them in order of merit as they perceived it. First the percentages of respondents who expressed the approaches and the problems were considered for identification.
The validity of the information was then ascertained by converting the rank orders into numerical scores. This was done by a method suggested by Garret (1973) for converting the rank orders into numerical scores when the number of items ranked differed from respondent to respondent.

The percentage position of each rank was found out by the following formula:

\[
\text{Percentage Position} = \frac{100 \times (R_{ij} - 0.5)}{N_j}
\]

Where,

- \( R_{ij} \) = Rank given for ith item by jth individual
- \( N_j \) = Number of items ranked by jth individual.

The percentage position of each rank thus obtained was converted into numerical scores by referring to the table given by Garret. Thus the ranks given by each utiliser for the benefits, approaches and problems were converted into numerical scores. Then for each factor the scores of the sample respondents were added together and divided by the total number of respondents. The mean scores for the benefits and the problems were arranged in order of ranks and inferences drawn.

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1.8 PERIOD COVERED BY THE STUDY:

The secondary data were collected from the records maintained by the various offices of the four subsidiaries of the General Insurance Corporation of India. The same was confined only to the study area, and was related only to a period of three years, viz., 1990-91 to 1992-93.

1.9 SCOPE OF THE STUDY:

The study will bring to light the factors influencing the buying and selling of general insurance policies. It will also identify the problems faced by sellers and buyers of insurance policies in selling, buying and settling claims. The study will also give certain policy implications for effective marketing of general insurance services.

1.10 LIMITATIONS OF THE STUDY:

The study suffers from the following limitations:

The secondary data were available only for a period of three years. General insurance companies did not preserve the books for more than three years. Records are either dumped into their record rooms or dispatched to their Head Offices. Hence, the analysis of secondary data was made only for three years.
Out of the unlimited universe of policyholders only two hundred policyholders were selected for eliciting first-hand information. In view of the time and monetary constraints, it was not possible to contact more than the selected number of respondents.

Most of the respondents had given information about their economic backgrounds like their annual income, wealth, production and like from their memory as they had no account of them.

Hence, the generalisation of the findings of the study is subject to these limitations.

1.11 CHAPTER SCHEME

This empirical study is organised into seven chapters. The first chapter deals with the Introduction and Design of the study. The second chapter presents an overview of General insurance.

The third chapter deals with the profile of the study area and the analysis of General insurance market in the study area.

In the fourth chapter, selling of General insurance policies by the Development Officers was studied, while a study of Buyer behaviour in insurance marketing and the
factors influencing the buying of insurance policies was made in chapter five and six respectively.

The last chapter recapitulates the key findings and conclusions of the study. At the end of this chapter certain policy implications are made for better working and utilisation of General insurance services.