Chapter - II

REVIEW OF LITERATURE

In this chapter, an attempt has been made to provide an overview of various aspects and issues related to the present research work through the review of the studies already carried out both at national and international level in the insurance sector. The review of literature can lead to draw some significant conclusions and serve as a guide for this study. It also gives a fair chance to identify the gaps that exist in the area of research. Some of the important studies have been reviewed in the following paragraphs.

Norgaard and Schick (1970) determined how profitable property and liability insurance companies had been during the period 1953-67. The technique used is based on a risk return trend analysis. For this purpose, four random samples and one selected sample of insurance companies were compared with 622 major industrial corporations. It was found that insurance companies, automobile underwriters performed considerably better than multiple line of fire and allied line underwriters. The data indicated that within the insurance industry there is an economy of scale in degree of specialization and size.

Bajpai (1975), in his study discussed that life insurance performs certain very important social and economic functions. It is very important measures of social security making provision for old age and for the dependents in case of death. In India, the benefit of life insurance is at present being obtained by a very small number of people. There is therefore, a very big scope for its expansion. It is a very fertile field for an intensive and critical enquiry and analysis would highlight (a) The nature and volume of people's savings through life insurance and the possibility
of increasing them through reduction in the cost of insurance and expansion of life insurance business. (b) The contribution of life insurance finance to the growth of Indian economy. (c) The considerations governing proper investment of life funds and (d) The accumulation of funds and their proper investment.

**Bishop (1976),** in his study stated that Life Insurance Companies are important financial intermediaries in that they offer the public various products that involve accumulation of assets and that depend in part on the return earned on those assets. Moreover, the management of a large pool of assets requires investment decisions on return flows from maturities and amortization of past investments as well as on new inflows. The return that flows from past investments are an important element in capital formation in that they make possible a redirection of capital flows into new industries or growing sectors of the economy as needs and demands for capital formation change.

**Khan, M.K. (1978)** in his article, “Prospects of a Career in Life Insurance Business in India- An Analysis”, attempts to know the opportunities and prospects in the career of a life insurance sector. He explains about what a good career is and how a good career should be for selling of life insurance products. There is no age barrier as it requires no previous occupational experience but one must be professional and capable of creating opportunities in building personality. The relationship of life insurance agent with clients is not temporary and the service rendered has no substitutes. He also observes that life insurance agent remains, in a sense, permanent server to clients.

**Mishra and Rai (1985),** in their study on “Income and Expense Pattern of the Life Insurance Corporation of India” stated that the Life Insurance Corporation plays an important role by providing insurance protection against death and old age on the one hand and accelerating the growth of national economy on the other hand. Thus the life insurance has
two-fold effects. On the one hand, it provides the much needed insurance protection against death and old age and on the other, it helps accelerate the growth of national economy.

**Mishra (1991)** in his study has discussed that life insurance being an important form of social security should reach to all the members of the society to the possible extent, as it is self-developing organization. It has to work on, “no loss no gain” basis. The policyholders are their masters and they will have to develop insurance organization to benefit the coming generation. Thus there is need to exercise efficiency and economy in the operations and development of life insurance business. Besides, it has to be reached even to the neglected rural areas and backward people who are unaware of the life insurance benefits.

**Gurrrappa and Reddy (1992),** conducted a study to analyze the personnel management practices undertaken by LIC with particular reference to Cuddapah division (South central zone office Hyderabad) with a view to promote performance standards and operational efficiency of the personnel of the corporation. It portrays the need of reclassification of employees' sound recruitment policy, decentralized manpower planning, setting up norms of workload, and creating more avenues of promotions, systematic training policy and providing pension to employees.

**Kohli (1995),** highlighted that despite its good performance there is a widespread feeling that LIC is unable to fully achieve the objectives of nationalization. After 39 years of its nationalization, there remains a vast untapped insurance potential, particularly the rural segment (only 15 percent of rural insurance potential has been covered so far). Today the LIC enjoys a market presence (26 percent of the total insurable population) which is expected to go up in coming years.

**Arihant and Oza (1996),** in his article, “Human Resource Development in Insurance Industry” has emphasized upon the need of
properly harnessing the potential of human factor to counter the rising challenges in an environment of competition. Further, he has concluded that to tap the large section of market, concerted efforts in the areas like marketing, customer service, and total quality management is essential to maximize growth.

**Hussain and Islam (1996)**, in their article, evaluated the accounting policies disclosed in the financial statements of the insurance companies in Bangladesh. The study found that despite some shortcomings, disclosure practices relating to accounting policies of the insurance companies in Bangladesh deserve high appreciation. It was observed that 100 percent of surveyed companies disclosed accounting policies in their financial statements, as compared to 13 percent found by Parry and Khan (1984) and 70 percent by Alam (1990). This is undoubtedly a chronological development owing to discloser consciousness in the company reporting.

**Chidambaran et al. (1997)**, in their article, presented an empirical analysis of the economic performance of the U.S. property-liability insurance industry, using estimation across 18 lines of insurance for the years 1984 through 1983. The study adopted an industrial organization approach, focusing on the economic loss ratio as a measure of pricing performance. The research found that there are still questions about performance that are related to industry concentration. One explanation is that higher concentration is conducive to the muting of pricing rivalry. Another is that higher differences in firm efficiency result in both higher concentration and higher profit rates. These two explanations are not mutually exclusive, and the former is a plausible explanation for property-liability insurance. The study concluded that the concentration for the line and the shape of direct writers in the line are both found to be significant determinants of performance.
Rao (1998), in his paper, examined the efficiency of the LIC, in physical and financial terms. Insurance, being essentially a service industry, a distinct set of criteria (both physical and financial) had been developed to evaluate its overall efficiency. There has been a significant improvement in the physical performance of LIC. But the financial performance in terms of profitability had not been up to the expected level. However, given the constraints of statutory regulations and government control, coupled with a highly cost-prone rural business, the financial performance may be considered as satisfactory, although there is a considerable scope for improvement. The LIC should vigorously try to improve its operational efficiency to benefit the policyholders and to compete in a liberalized environment.

Baltelsmit and Bouzouita (1998), in their paper, examined the relationship between profitability and market structure in automobile insurance and tested the existence of a positive relationship between concentration and performance. The data for the study pertained to the period 1984 to 1992. The results showed a significant positive impact of concentration on profitability for combined liability and physical damage lines in private passenger automobile insurance. These results differ from previous studies using state level data from the previous decade but confirm.

Shesha Ayyer, V. (1999) in his article, “New Insurance Products in the Next Century” expressed his views about new products. The possibility of the aged living too long has become real because of advancement in medical facilities. Pension schemes have thus become popular at a slow price. Divorce rates are increasing and the insurer can look into the problem and introduce new scheme to fit them.

Livingstone (1999) in his study, “Pygmalion in Management” urged the need of framing effective human resources policies by the LIC of India to retain the competent and motivated staff as the new entrants
would be eying them by offering lucrative salaries and other benefits. According to him, management has a great role to play in shaping subordinates attitude towards the jobs and themselves. They will behave, as they will be treated.

**Druker (1999)**, admitted that by “providing financial protection against the major eighteenth and nineteenth century risk of dying too soon, life insurance became the biggest financial industry of that century. Providing financial protection against the new risk of not dying soon enough may well become that next century’s major and most profitable financial industry.”

**Vijayavani, J. (1999)** in her article, “Cost Effective Distribution Channels of Life Insurance Products”, discussed the various methods to improve the channels of distributions. The concept of floating rebate schemes to the customer not only spreads insurance coverage but also attracts extra customers. She suggested health insurance products for different segments. She further suggested that free offer schemes should be introduced to the customers to improve business.

**Ranode, Ajit and Abuja, Rajeev (1999)** in his article, “Life Insurance in India- Emerging Issues”, present an overview of the operation of Life Insurance Corporation of India and identify the strategic issues in liberalization and the entry of private players in insurance. The author brings out the need of private players to enhances efficiency in operation, achieving a greater density and penetration of life insurance, mobilize long-term savings for infrastructure and bring freedom in investment, to survive and adapt to the liberalized scenario.

**Gulati, Raghu (1999)** in his survey, “Study of Life Insurance Market: Products and Customers”, attempts to observe the Life Insurance market in relation to products and customers. A basic understanding of life insurance business, product portfolio, strategy the company adopts, demographic analysis, the customer strategy that the organization
repeatedly follows, when launching insurance etc. has been studied. The study also reveals that the company has deep penetration in urban areas, but the people are under insured, yet there exists potential to increase the coverage of insurance. Fifty percent of Life Insurance Corporation business comes from rural areas and agents seem to be the most effective channels regarding sales. In product strategy, if the customer is in need of basic insurance product, the company should come forward to launch term product that is to match with risk, a unit link product is to be launched etc.

Achamma, Samuel (2000) in his article, “Insurance: The Indian Experience”, has attempted to make an overview of the insurance system in India. As the insurance sector facilitates for economic development, the author tries to evaluate the insurance penetration and makes a comparison with world standards. The study reveals that India’s insurance penetration was only 2.3 percent as against the world’s average of 7.8 percent in the year 2000. The low insurance penetration reflects on the vast potential for the development of insurance markets in India. The share of insurance as a percentage of real Gross Domestic Product during the period 1981-82 to 2000-01 was below one percent. The insurance sector has been only a marginal contributor to the country’s Gross Domestic Product. One of the reasons attributable to this could be the lack of effective competition (due to the monopoly position enjoyed) by the public sector. Opening up of the insurance sector may argue well for the growth in income from this sector.

Mookerji (2000) in his article, “The Key to Success in the New Age of Insurance Market” cited weaknesses of marketing policies pertain to outdated products and technology used by LIC and GIC of India. She forecasted that in the light of new and upgraded technology, the LIC of India would strengthen the network of agents and intermediaries. Most of the products of LIC of India were bundled ones having no flexibility.
Only twenty percent agents of the corporation were professional in their approach. The corporation must adopt some new channels of distribution like banks, village head, post office or cooperative societies to improve its performance.

Reddy, Ramakrishna and Raghunanda (2000) in their article, “Life Insurance Corporation of India: Need for New Lessons” attempt to study the issues and relate conclusions on certain matter like whether premium rate reflect the life expectancy or the policy designed for government employees or semi government employees or reputed commercial firms etc. The spirit of the policyholders to know about the working, drawbacks and shortcomings of the life insurance company is discussed. The study reveals that the rate of premium charged under postal life insurance are less and cheaper compared the rats of premium of Life Insurance Company. As it is felt necessary to concentrate on uncovered areas and non-salaried class as potentials market segments. The foremost changes required is to provide transparency of information to the community, as they have the freedom access any information about the working of the company.

Mundra (2000) in his article, “Insurance Prospective” expressed the fear in the minds of the competitors and the possible strategies to face them. The main concern of the public sector companies, according to him, is that the private players, especially foreign ones, will swamp the market and grab a large share of it. They can create demand in neglected and new areas. The possible strategies for combating the situations can be the adoption of latest information technology, use of data warehousing management, implementation of high-level training and development programmes and practices of alliances and tie-ups.

Rao (2000) analyzed that India is still an underdeveloped insurance market, it has a huge catch-up potential. According to him even though there is strong potential for expansion of insurance into rural
areas, growth has so far remained slow. Considering that the bulk of the Indian population still resides in rural areas, it is imperative that the insurance industry’s development should not miss this vast sector of the population.

Murthy (2000) in his article, “Bank Foray into Insurance: Adaptation Challenges” emphasized the need of undertaking three functions viz. risk taking, asset management and serving the customers by the life insurance companies for providing comfort to the society in an organized manner.

Vijay, Srinivas (2000) in his article entitled, “How Returns Linked Insurance Products can be Popularized?”, emphasized that the insurance should link insurance products with other benefits. Low incomes, social structure, lack of understanding among the public, lack of availability of new schemes are the main reasons for low productivity for insurance in India.

Suthanan (2000) through her article, “Changing Face of Indian Insurance” brought to light the drawback of insurance sector, especially of the LIC of India, in the form of low supply of investment, pension and health care products in comparison to their demand. The pace of penetration of the corporation is low in comparison to its competitors. Non-availability of customer’s friendly products, high premium mismanagement of assets, low investment yield and low consumer satisfaction are the main factor causing inefficiency in the corporation which must be eradicated to face the challenges of liberalization.

Verma (2000) in her thesis evaluated the performance of the GIC and its subsidiary companies over the years, throwing light on the profitable effects of the various insurance sector reforms on the future development of General Insurance in the country. She also studied the origin, aims and functions of the corporation and its product development. The study was based on the published and primary data. The technique
like trend analysis, averages, graphs etc. were used to analyze the quantitative data. The study found that the GIC along with its subsidiaries has emerged not only as a strong insurance institution but also as influential institutional investors in the financial market of India due to large amount of funds at its disposal. It made investment with the objective of safety and maximization of return. The underwriting results showed losses in about all the years except 1993-94. Despite the rise in premium income, the profit position had not improved due to rise in expenses, commission and net incurred claims at a higher rate than the growth premium income. The study suggested that GIC should bring reform in pricing the General Insurance contracts and use information technology for better management, customer service, efficiency and competitiveness.

Brien (2001) in his paper examined two questions, namely, has the conduct of the new entrants been different from that of the established players which has been the subject of criticism, secondly, what has been the performance of the new entrants? The study used 28 companies authorized to write long term insurance in the UK in 1990-99. The paper indicated that there was strong evidence that the new entrants have had high growth rates (in new businesses and assets) but, from a low base, they have made little impact in terms of market share. The largest new entrants, in terms of new business APE are the investment house life companies. There have been large financing requirements for the new entrants, and they have tendered to concentrate on no advice channels, paid less commission and granted higher surrender values in the early years.

Sah, Sharma and Singhai (2001) in their article “SWOT analysis of Life Insurance Corporation of India- A Public Sector Enterprise”, observe that in India, public sector enterprises are well known for their poor performance. However, Life Insurance Corporation of India is an
exception, earning attractive profits just because of its monopoly in life insurance market and in income tax benefits available to policyholders. In the light of the SWOT analysis, LIC may be suggested to design differentiated products/service offerings to leverage innovative channel approaches to compete on fixed cost, to upgrade technology, to compete on return profile, to manage more surplus profit, to reengineer process of work, to generate revenue through current cost, to introduce sophisticated product, to build performance culture etc.

Parera (2001) in his article, “Challenges and Opportunities: Privatization of Insurance” feels that the insurance is the hottest business in India and other Asian countries. He exhibited that the Indian insurance markets has registered the highest growth of over twenty percent in Asia, though its share in global market is about 0.5 percent. The total Indian population was 1.05 billion in July 2000, consisting of 72.72 percent of rural population and 27.78 percent of urban population. However, the penetration level of the life insurance was just twenty percent.

Rudolf (2001) in his paper examined the key factors and latest trends determining profitability in the major non-life insurance markets. The study focused on the non-life insurance markets of the group of seven countries (G7) mainly for the period 1996 to 2000. To analyze the profitability, investment results and underwriting results were compared between countries and across lines of business and to analyze the drivers of profitability, return on equity were decomposed into its main components namely underwriting results and investment income. The results indicated that only Germany and Japan did not have negative underwriting results and return on equity was high in U.K., moderate in Canada and US and low in France and Germany. The study found that underwriting results and investment yields are negatively correlated. The research suggested that due to uncertain prospects for investment results,
the insurers must focus on underwriting results to achieve greater profitability.

Thampy and Sitharamu (2002) in their study provided an estimate of the life insurance potential in India. International comparisons of the life insurance premiums per capital and the life insurance premium as a percentage of GDP give India a low rank in these measures. Given the prospects for economic growth and development in India and given the international experience of positive income elasticity of demand for insurance they expect considerable growth in the life insurance business in India.

Rehman (2002) in his article, “Challenges before Insurance Today” concluded that the steady deregulation of the insurance market, the emergence of new technologies, increasing competition among the life insurance are resulting into a new paradigm on the customers. The new situation will induce many pressures on insurers in the form of capital, volumes (market share), margins, services, re-insurance, retaining quality people, intermediaries and regulatory authority.

Kumari (2002) in her study “Life Insurance Corporation of India: A Catalyst to Development” said that the corporation has been contributing a lot to the development of the economy through mobilizing savings, making investments in development and development augmenting activities and generating employment. This is in addition to its role of increasing welfare through providing security to the masses. However, the corporation’s investment structure seemed to have undergone a shift in favor of the government securities and related heads and also the corporate sector; as against the social and development activities.

Singh (2002) in his article, “Protecting the Life Insurance Umbrella” concluded that the life insurance companies are exposed to colossal losses, which is evident from the World Trade Centre disaster.
These companies can limit their exposure by spreading the risk through the processes such as geographical diversification.

Krzysztof Ostaszewski (2003) in his article, “Is Life Insurance A Human Capital Derivatives Business?” added Life and disability insurance as well as annuities, traditionally has been analyzed as products providing protection against random losses. He proposed that these products can be viewed as derivative instruments created to address the uncertainties and inadequacies of an individual human capital, if human capital is viewed as a financial instrument. In short, life insurance (including disability insurance and annuities) is the business of human capital securitization.

Verma (2003) in his research paper examined what has gone wrong with auto insurance market and how to generate profit from this portfolio-in-trouble. The study found that the motor insurance is the biggest and fastest growing general insurance portfolio in the Indian markets, it accounts for more than 42 percent of the cash flow of general insurers. The paper also indicates that motor portfolio is the key contributor in building the brand and corporate image of any insurer. It deals with the largest customer base. The insurance companies’ points out that they shell out crores of rupees more in losses and expenses than they earn each year in premium. They incur huge underwriting losses. On the other hand, customer activist counter that insurers take home crores of rupees in investment on policyholders funds that result in excessive profits. Both sides from their respective stand points are not incorrect. Insurers do incur underwriting losses and earn investment income. The study also found that the new private companies have shown a cautious approach. They are unwilling to insure commercial and old vehicles and have preferred to stay away from this segment. The study suggested that insurers must act pro-actively on sound underwriting of business and better loss prevention techniques.
IRDA Report (2003) revealed that the maximum business activities of private life insurance are limited in the urban areas where a good market network of public sector insurance companies already exists. The ratio of agents of urban and rural agents was 100:76 in public company where it was 100:39 only in case of private companies.

Lai and Limpaphayom (2003) in their study examined the relation between organizational structure and firm performance in the Japanese non-life insurance industry. The data used for this study has been collected from the annual special issues of the Statistics of Japanese Non-Life Insurance Business published by the Insurance Research Institute of Japan and from the PACAP Japan database. As many as 26 non-life insurers for the period 1984 to 1994 were taken for the purpose of the study. The results indicated that the stock companies that belong to one of the six horizontal Keiretsu groups have lower expense and lower levels of free cash flow than independent stock and mutual insurance companies. Keiretsu insurers also have higher profitability and higher loss ratios than independent insurers. There was also evidence that mutual insurers have higher levels of free cash flows, higher investment incomes and lower financial leverage than their stock counterparts. Overall, empirical evidence suggested that each structure has its own comparative advantage.

Sadhak (2004) in his article “Insuring Life” opined that life insurance business is significantly influenced by the state of economy of a country and major impacting factors are rate of growth of GDP, domestic savings, household financial savings, disposable income etc. The size of the life insurance market is also influenced by the rate of growth of population, social security system, health care system, change in attitude, risks etc. It has been steadily improving experience a higher insurance penetration. Market competition exerts a very positive influence on market expansion, higher life insurance penetration as well
as higher life insurance density. Recent upsurge in Indian economy, particularly since liberalization and market reforms leading to competition, has created tremendous opportunities for growth of life insurance industry.

Shobhit and Shukla (2004) in their article, “Failure of Private Insurance Players in Rural Areas- An Analysis” concluded that there is a significant requirement of change in products, services and marketing strategy of private life insurers. The policies with premium, easy payment schedule, especially rural designed products and loan against policies can help the increase the share of private life insurers.

Goyal (2004) reviewed that private insurance companies had reason to celebrate with the lifting of the scrotal cap in the insurance sector to 49 percent in the Union Budget 2004-05 as against 26 percent earlier.

Banerjee (2004) in his article “Insurance Regulation in India and Future Directions,” concluded that the insurance industry would face greater competition from other financial service providers along all aspects of their value chain. Insurers for instance, with their significant and growing asset base, shall have to develop asset management capabilities and expertise on par with professional fund managers, otherwise they will face pressure to farm out their funds for professional management. IRDA will monitor the progress of the industry and make future changes where necessary. It will continue to consult industry representatives in developing a conducive regulatory environment and formulating incentives to enhance the operational capabilities of insurers, for instance, in product development, distribution and asset management. Such partnership and dialogue will be vital for the growth of the industry and for meeting the challenge of making India a regional hub and an international financial centre.
**Dhanda (2004)** in his study “Divisional performance evaluation of LIC in North Zone” said that regarding privatization of insurance business, most employees followed by agents and the least proportion of development officers are against privatization. Introduction of computers will certainly affect the efficiency level and improve the quality of services as indicated by a majority of the respondents. Training programs organized by life insurance officers affect the performance positively. Expected rate of return on life insurance products ranged from 0-10% as reported by a majority of the respondents.

**Chen and Wong (2004)** in their research paper analyzed the solvency of general and life insurance companies in Asia using firm data and micro data separately. It used different classification methods to classify the financial status of both the general and life insurance companies. The research revealed that except Japan, failures of insurers in Singapore, Malaysia and Taiwan are non-existent. The paper found that the factors, which significantly affect general insurer’s financial health in Asian economies, are firm size, change in asset mix, investment performance, liquidity ratios, surplus growth, combined ratio and operating margin. Similarly, the factors that significantly affect life insurer’s financial health are more applicable to Japan. The research indicated that the financial health of Singapore insurer seems to be significantly weakened by the Asian financial crisis as the insurance industry in different Asian economies is at different stages of development. They require different regulatory guidelines.

**Subermanyan (2004)** in his article, “Lapsation of Life Insurance Policies- A Critical Study,” observed that the aspect of lapsation of life insurance policies is a very complex one and its effect on the profitability as well as the very survival of a life insurance company can hardly be over emphasized. The adverse effect because of lapsation and the subsequent decline in bonus rates has very serious consequences such as
selection against the insurer by surrender of existing policies etc. Considering these aspects, it becomes imperative for any Life Insurance Company to take all possible steps to control lapsation right from the very beginning.

Jain (2004) revealed Waves of liberalization have done wonders to raise the insurance occupation to the status of a career with bright future. The average mindset, particularly of younger generation in India is very amenable to these changes in insurance as an avenue where exhilarating opportunities are opened up in changed environment.

Deloitte and Touche (2004) analyzed the profitability and effectiveness of the federal Multi Peril Crop Insurance (MPCI) programme. The study used aggregate historical data on both the MPCI business, and the property and causality insurance business for the period from 1992 to 2002. The results indicated that the MPCI line of business does not possess risk return advantage relative to the P & C business. The P & C business, as a whole, has had an annual net loss in only 2001 in its history. In contrast, the MPCI business, as a whole, lost money in three years i.e. 1988, 1993 and 2002 during the period 1988 to 2002 alone. MPCI expenses ratio were substantially below those found in the P & C business.

Kumar, Krishan (2005) in his article, “Making Inroad Into Rural India” highlighted that rural penetration remains a haunting challenge to the most life insurers due to high poverty levels prevailing in the area. The other problems faced by the insurers in the rural India are: poor general awareness about life insurance, investment in land and gold by the villagers, non-availability of certificates regarding proof of age and death, lapse of policies due to seasonal and irregular income and permanent health problems.

Ramesh Bhat (2005) in his article “Insurance Industry in India: Structure, Performance and Future Challenges”, stated that the
availability of insurance can mitigate the impacts of risk by providing products which helps organizations and individuals to minimize the consequences of risk and has a positive effect on industry growth as entrepreneurs are able to cover their risks. The future growth depends on how services-oriented insurers are going to be. On the demand side, the rise in incomes will trigger the growth of physical and financial assets. With the growth of infrastructure projects, the demand for insurance to cover the projects and risks during operations will increase. The other growth trigger is the increase in international trade. However, servicing of the large domestic market in India is a real challenge. The process of reforms initiated some years ago has some achievements to its credit. It has enhanced competition, provided a choice to customers, triggered innovative ways and means to carry out insurance activities, improved the efficiency level of the industry, increased the coverage of insurance in terms of density and penetration, obligated the insurers to provide for the needs of social and rural sectors, and increased awareness about the necessity of insurance.

S. Ganesan and Jayaprakash (2005) in their article, “Slapping Lapses in Life and Health Insurance” cautioned against the lapses of life policies by saying that it adversely affect the policyholders, the company, the agents, and the industry in terms of forfeiture of premium paid, cost of acquisition not fully covered, loss of renewal commissions and wastage of scarce resources. It can be controlled by good training to agents, control over the activities of agents by the companies and regular after sale services of agents to the policyholders.

Sinha (2005) in his study “An Analysis of the Evolution of Insurance in India,” stated that India is among the important emerging insurance markets in the world. Life insurance will grow very rapidly over the next decade in India. The major drivers include sound economic fundamentals, arising middle class income, an improving regulatory
framework and rising risk awareness. The fundamental regulatory changes in the insurance sector in 1999 will be critical for future growth. Despite the restriction of 26% on foreign ownership, large foreign insurers have entered the Indian market. State owned insurance companies still have dominant market positions. However, this would probably change over the next decade. In the life sector, new private insurers are bringing in new products to the market. They also have used innovative distribution channels to reach a broader range of the population. The rural sector has potential for both life and general insurance. To realize this potential, designing suitable products is important.

B.V. Rao (2005) in his article, “LIC Agents- Are They All Productive” indicated that the performance of the LIC of India depends purely on the performance of its agents. The number of agents has increased from 533133 in 1996-97 to 1003241 in 2003-04; the average business per agent has increased from Rs. 1064284 to Rs. 2197635 during the same period. The study also revealed that 15 percent of the agents of the LIC of India are highly productive and the remaining 85 percent are less productive. In nutshell, the former agents brought 61 percent of the new business while the remaining 85 percent contributed the balance 39 percent.

Krishnamurthy (2005) in his article, “Insurance Sector: Challenges of Competition and Future Scenario”, observed that LIC continues to remain strong in rural areas and perhaps in the middle class and the lower middle class segments while in metros and major urban centers, the private insurers have made their presence felt. The new age insurance agent is trained to be an adviser to the customer instead of being a mere seller of policies. He is a suave, smart financial consultant thanks to the state-of-the-art training facilities provided by the insurers, which are of international standards. IRDA ensures that the customer is
placed as the conundrum of all activity and the ultimate mark of success for the industry will lie in its ability to meet the needs of the customer effectively.

Sadhak (2005) in his article, "Globalization and Life Insurance", observed that- Insurance is an integral part of national economy and a strong pillar of financial market. Therefore, waves of globalization have also been influenced the insurance market worldwide. Financial market globalization has also been strongly supported by globalization of insurance. With the increase in trade, direct investment and portfolio investment, there has been an ever-growing demand for insurance services particularly in the emerging markets. Globalization of insurance market, as a part of the overall process of liberalization in emerging and other countries enabled the foreign insurance companies to enter in those countries and benefited both. (b) Indian Life Insurance in general has expanded since liberalization on the one hand and market has been increasingly becoming competitive. (c) Though the share of Life fund in household assets has gone up during the last decade and Indian Life Insurance Industry registered better growth rate compared with global growth rate yet total premium volume and global market share remained quite low. (d) Insurance density (premium per capita) and insurance penetration (premium in percentage of GDP) which are important growth indicators are quite low in India.

Mony (2005) in his article, "New Initiatives in the Insurance sector: Opportunities and Challenges", concluded that the insurance sector will grow steadily rather than rapidly. The law and regulations in place are adequate to ensure financial strength and solvency of insurers. The regulator’s challenge lies in monitoring compliance to the several requirements. Delay in taking steps against erring parties would erode the credibility of regulations and customer confidence. In these four years since opening up, new insurance companies have faced the challenge of
convincing an average customer that the new companies will meet the commitments under the policies and that their stability is no less than that of the public sector companies. This depends to a great extent on the credibility of the regulations and the regulator. Early detection of problems and quick solutions are vital for maintaining the confidence of the average customer.

Bakhshi (2005) in his article, “Integrated Approach: Key to Growth and Development”, stated that the insurance sector is undergoing fundamental transformation and has an important part in the buildup of the country’s economic infrastructure. The insurance regulator will play a key role in lying clearly rests with the insurers to take the industry to its next level of evolution. In India, the ratio of assets of insurance companies to those of banks is 3 percent while the ratio in the US is 10 percent. This serves as another indicator of the potential that the industry must live up to.

Raman, N. and Gayatri, C. (2006) in their article, “A Study on Customer’s Awareness towards New Insurance Companies” revealed that customers are now looking at insurance as complete financial solutions offering stable returns coupled with total protection. Companies will need to constantly innovate in terms of product development to meet over changing consumer needs. Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. In the present scenario, a key differentiated would be professional customer service in terms of quality of advice on enhancing the customer convenience.

Namashivayam, Ganesan, S. and Rajendran, S. (2006) in their article, “Socio Economic Factor Influencing the Decision in Taking Life Insurance Policies”, examines the socio economic factors that are responsible for the purchase of life insurance policies and the preference of the policyholders towards various types of policies of company. From
the analysis, it was found that factors such as age, educational level and sex of the policyholders are insignificant but income level, occupation and family size are significant factors for the purchase of LIC products.

**Kumar (2006)** in his article, “Insurance Industry on Growth Path”, observed that Indian insurance industry is booming. With the stock market booming and with more disposable incomes in the pockets of young and the employed, life insurance is on an upswing and industry can expect 40% growth in 2005-06 with right strategies. Private insurance players have introduced a wide range of insurance products and step up brand promotion as part of their new strategy. In the US, there is gap of only 5% between men and women policyholders. In India the gap is much wider and life insurance for women was an untapped market a few years back. But lately, it has shown a significant rise. Despite aggressive competition from private players, LIC was unlikely to lose its market share as the insurance market was expanding. LIC has embarked on an ambitious plan to overseas subsidiaries to tap NRI wealth. Among the new entrants of insurance sector, none of the private players has reached the break even so far.

**Rajesham, C. and Rajaender, K. (2006)** in their article, “Changing Scenario of Insurance Sector,” revealed that insurance companies of India are required to come up with multi-benefit policies including tax benefits, with quality based timely customers services. These companies need to focus on health insurance, which is one of the untapped areas of insurance including services through innovative products, smart marketing and aggressive distribution with internet facility with much individual attention, transparency and flexibility to increase the quality and volume of insurance business. Today the focus is on selling more products to existing customers to improve profitability, therefore customer – focused strategies require an effective CRM
ensuring insurance firms monitor the ebb and flow of customer behavior, giving them a historic 360-degree view for their customers.

**Ray and Pathak (2006)** opined that ever since the privatization of the insurance sector in India in 2000, the industries has witnessing the birth of numerous private players, mostly joint ventures between foreign insurance giants and Indian diversified conglomerates and each one is trying to make an inroad into to the huge untapped market.

**Hoyt and Powell (2006)** in their research paper analyzed the financial performance of Medical Liability Insurer by using two appropriate measures, namely, the economic combined ratio and the return on equity. The period for the study was from 1996 to 2004. Based on ECR, Medical Liability Insurers, as a group reported modest profitability in only three years (1996, 1997 and 2004). In contrast, these insurers sustained losses in six consecutive years from 1998 to 2003. The average profit ratio (return on net premium earned) during the period 1996 to 2004 was -13 percent. The study found that there was no evidence that Medical Liability Insurers had been earning excessive returns or that they were over-capitalized. The research concluded that there was no evidence that medical malpractice insurance was overpriced.

**Sukla (2006)** reviewed the euphoria is well earned and the economic measures of liberalization initiated in insurance sector are well looked at. Six years into competitive market, the Indian insurance industry exhibited a healthy growth trend of new business and market share. It grew from a total premium of Rs.34898 corers’ in the year 2000-2001 to Rs.66287.93 corers in 2003-2004, followed by the aggressive achievement posted at Rs. 81301.40 corers in 2004-2005. The life insurance industry saw the new players stabilize their operations, which were keenly matched by LIC, and the premium numbers brought the fact that the size of the insurance market grew over the six years of liberalization. He also views that with liberalization, India is penning the
script of insurance convergence (catch up) and not insurance divergence (falling behind). Since the opening of insurance industry at 2003-2004, private players have brought 21.87% of their new business, through referrals and direct business, a sign of harnessing the strengths of the competitive market of the respective organization. It clearly indicates the comfort zone of operation of the players. But the real operational efficiency will emerge beyond the boundaries of comfort when they will try to expand the market share in the unfamiliar territory.

Holzheu (2006) in his research paper measured the underwriting profitability of insurance markets. The study used economic combined ratio an alternative key performance indicator instead of conventionally published combined ratio. It reflects underwriting profitability more accurately. The study focused on the underwriting profitability of six major non-life markets, the US, the UK, Germany, Japan, France and Canada from 1994 to 2004. The results indicated the picture for the business year results for Japan, Canada, France, Germany and the UK were broadly consistent with the US results. The results for the years 1994 to 1997 and 2002 to 2002 were profitable, though often only moderately. The period from 1998 to 2001 exhibited dismal underwriting results. Substantial improvements in underwriting results from 2001 to 2003 restored profitability to the level of the 1994 to 1997 period. The study further pointed out that the ten years average underwriting margins before taxes were positive in all countries implying a positive contribution to profits from the insurance activities. However, the contribution was only about 1-2 percent in the US and Japan, 2-3 percent in France, 5 percent in Canada and the UK, and 6 percent in Germany. The study found that these positive results were necessary but not a sufficient condition for creating shareholder value. Profits must also cover tax and the insurer’s capital cost. During the period 1994 to 2004, it was difficult for the industry to earn its underwriting cost of capital.
Kasturi (2006) in his article focused on the performance management system in the insurance corporation in general based on the principles of performance management in the service organization. The study reveals that success of an insurance company depends on four important functions, such as identification of markets, assessment of risks and estimation of losses, penetration into and exploitation of markets, control over investment and operating costs. Performance of a company in financial terms is normally expressed in net premium earned, profitability from underwriting activity, return on investment, return on equity etc. Some of the non-financial performance measures may include growth in number of policies, market share, number of branches, speed in policy processing, speed in delivery of policy notes, timely reminder to customers, number of dropouts from the policies, growth in products and product lines, customer satisfaction, speed in settlement of claims, employee training, research and development market intelligence and a survey of number of policies per agent, agents training, retention of efficient agents etc.

Patil (2007) in his study opined that, the public sector is good for public; it plays a vital role in the development of the country. In the context of playing a vital role in the country’s development, LIC has grown into a living saga. This transformation has not come about overnight. A breakthrough has been achieved on the strong foundation laid by the people of this great institution, which provided confidence and inner strength to explore new frontiers through the programme of massive decentralization, development, expansion and diversification undertaken in recent years. The organization is today on the threshold of new vistas striving ahead in quest of excellence.

Rao (2007), opined, “1999-2000 were landmark years in the history of Indian insurance industry. The year 2007 is going to be another watershed for the industry. Detariffication from first January 2007 will
totally change the complexion of the non-life industry. Financial inclusion is being emphasized in various forms. The insurance industry will have to play a vital role by providing health insurance and other insurance products for the poor.

R. Masilamani (2007) in his article, “How Far Your Investments are Safe in a Life Insurance Policy” attempted to identify the ways in which the safety of an insurance policy can be ensured. In his article, he concluded that the government of India intends to bring in a comprehensive legislation relating to insurance matters. There is an upbeat mood among all the insurance companies over the growth in their premium income through life insurance policies. The article intends to codify the possible extent that the laws, rules and regulations available in our country can provide a safety net for funds invested by the policyholders in a life insurance policy.

Bodla, B.S. and Verma, Sushma Rani (2007) in their article, “Life Insurance Policies in Rural Area and Understanding Buyer Behavior” revealed that insurance sector plays a very important role in the development of any economy and it provides long-term funds for infrastructural development and at the same time strengthens the risk taking ability.

Acharya, Tanmay. Mishra, Harshita. and Venkata, Sessaia, S. (2007) in their article, “Customers Preference in Insurance in India” revealed that the purchasing decisions of the consumer depends on quality, accessibility, company type, recommendations and promptness of services. India is poised to experience major change in its insurance markets as insurers operate in an increasingly deregulated and liberalized environment. For consumers, opening up of the sector will mean new products, better packaging and improved customer service.

Patial, P.B. and Thakkar, P.N. (2007) in their article, “Impact of Disinvestment on Banking and Insurance Sector” revealed that a strong
competition among the insurance companies has led to better services being provided by customer satisfaction can be known from the customer retention ratio. Now most of the companies are customer centric approach, rather than product centric approach, which is leading to customer-retention ratio.

Sinha (2007) revealed that the public sector insurers dominate the private sector insurers in terms of mean technical efficiency in constant return to scale, while the private sector insurers have a slightly higher mean technical efficiency than the public sector insurers in variable return to scale.

Chakraborty (2007) a research associate in his article, “Private Life Insurance Companies in India: Growing Prospects and Challenges” indentified that the Indian insurance industry underwent a drastic transformation with the entry of private players who captured a significant market share (26.6 percent) during 2005-06. The proposal to increase the FDI limit from 26 percent to 49 percent will further encourage the foreign companies to infuse fresh capital into the Indian insurance sector, thereby fuelling more growth. He clearly traces the challenges faced by the private players while marketing their products and the measures they have taken for overcoming them.

Goswami (2007) examined that prior to privatization of insurance sector; Life Insurance Corporation (LIC) of India was the sole player in the life insurance industry in India. In six years since the entry of private players in the insurance market, LIC has lost 29 percent market share to the private players, although both, market size and the insurance premium being collected are on the rise.

Rao (2007) reported that insurance is a vital economic activity and there is an excellent scope for its growth in the emerging markets. The opening up of the insurance sector has raised high hopes among people
both in India and abroad. The recent detarriffication in the non-life domain has provided a great deal of operational freedom to the players.

Sabera (2007) indicated that the Government of India liberalized the insurance sector in March 2000, which lifted the entry restrictions for private insurance players, allowing foreign players to enter into the market and start their operations in India. The entry of private players helps in spreading and keeping the operation in the Indian insurance sector, which in turn results in restructuring of public sector companies.

Husain and Faiz (2008) in their article "India's Insurance Sector in Post Privatization Period: Emerging Financial Issues", has discussed that, there is a huge gap between insurable population and insurance coverage provided by the life insurance sector. The estimated size of middle class in India is 250 million. Only 22 percent of this insurable population was covered till the initiation of reforms in the sector. Since initiation of reforms, there has been structural transformation in the sector. Private players have already entered into the market. Monopoly of the public sector has ended and now a large number of companies have started operating in the monopolistic market. Private players operating in the life insurance sector together have captured 22 percent of the market share. Likewise, private players operating non-life sector have captured 20.2 percent of market share. The size of market has increased from US $8 billion in a year in 2001 to about US $22 billion in 2005. Emerging financial issues in the post privatization phase of Indian insurance sector are as follows: issue of growth, issue of share of life insurance in financial saving of household sector, low insurance penetration and density, insurance as saving assets, issue of cost and fraud minimization, issue of capital adequacy, issue of raising FDI limit, issue of financial efficiency and infrastructure development and issue of integration and externalities.

Oetzel and Ghosh (2008) in his paper explored the relationships between market liberalization and insurance firm's performance in
emerging markets and developing markets. The sample for this study includes a data of 196 insurance companies operating in 16 different countries across Latin America and Asia. The dependant variable used to measure firm level performance was adjusted firm’s profits. The variable was measured as profits before taxes divided by total firm’s assets, because data on firm profitability was easily available. The independent variables are ‘type of firm’ and ‘the degree of market liberalization’. The results of the analysis suggest that the host country liberalization is positively associated with firm profitability for all insurers, foreign and local, operating in a given host country. No significant profitability differences were found between foreign and locally owned firms, although U.S. owned subsidiaries were significantly less profitable than subsidiaries from any other country. Additionally, firms located in Latin America had significantly less profitability than those in India.

Kumar (2008) in his article “Life Insurance Industry-Past, Present and the Future”, stated that nearly 80 percent of Indian population is without life insurance cover while health insurance and non-life insurance continue to be below international standards. This is an indicator that growth potential for insurance sector is immense. India’s life insurance market has grown rapidly over the past six years, with new business premium growing at over 40% per year. The premium income of India’s life insurance market is set to double by 2012 on better penetration and higher incomes. Insurance penetration in India is currently about 4% of its GDP, much lower than the developed market level of 6-9%. The life insurance industry is growing at 30 percent each year; it is one of the fastest growing industries in the country. Private players have captured a sizable chunk of the market in these six years, with the Life Insurance Corporation on India’s (LIC) share in the new business falling to 74 percent. The prospects for India’s insurance sector are good on the back of wealth in society.
G. Gopalakrishna (2008) in his article, “Protection of the Economic Value of Assets Through Life Insurance” lay down that all assets including the human life has economic value. Insurance is a mechanism that provides compensation for pre-financial value of the asset in case of loss and damage. It does not get back and replace the asset, it only compensate for the loss suffered. Insurance is transfer of and sharing of risk by equitable loss sharing. It proves to be a profitable investment and fulfils a host of needs of a person. In fact, life insurance is a way of life.

Chandrasekharan, David (2008) in his article, “Ethics in Life Insurance Selling” emphasized that identifying the right product is the first step towards ethical selling. All we can say, in the present situation to the customer is ‘let the buyer beware’. He adds that although it sounds very simple, it is hard to accomplish, considering the numerous factor that go into a sale.

Khurana, Sunayna (2008) in her article, “Customer Performance in Life Insurance Industry in India” revealed that Insurance Sector plays a very important role in the development of any economy. It is necessary for the economic and overall development of any country. In today’s competitive economy, the business, finance and insurance sector plays a very important role. More and more job opportunities are available in these sectors.

Mahmoud (2008) identified that the financial performance of insurance companies in Egypt. The data consisted of six insurance companies, three of which were from the public sector, while others represented private sector companies for the period 1992-93 to 2005-06. The author has used 25 ratios to measure the efficiency and financial performance. These ratios were reduced to factors through factor analysis. The study found that the mean of efficiency of financial performance ratios of the public and private sector do not vary significantly for the
following ratio returns on investment, net profit to total assets, net profit to surplus, total liabilities to total assets and underwriting expenses paid to premium written. Public sector cases represent 66.7 percent of the low-efficiency clusters of financial performance. Thus, there is a relationship between the fuzzy classification of the insurance company’s financial performance efficiency and its ownership type.

Raju G. (2009) in his article, “Factors Determining Life Insurance Purchase: A Study of the Customer Behavior” advised that Insurance is an important segment under financial services. The life insurance sector provides long-term funds for development of infrastructure. The pace of growth of life insurance in India accelerated with the process of opening up of the economy through globalization and liberalization. However, the level of penetration is less when compared to the world average and many other countries. The results of this case study reveal that insurance is preferred mainly for risk coverage and tax benefits.

Raju, S. and Gurupandi, M. (2009) in their article, “Analysis of the Socio Economic Background and Attitude of the Policyholder towards Life Insurance Corporation of India” revealed that the study was of great help to the policyholder, as it was aimed at finding the attitude towards the services of Life Insurance Company. Hence the prospective customers, who propose to buy the insurance products and avail of the services of an insurance company for the first time can get benefited by the best service provider.

Bhole and Mahakund (2009) in their book, Financial Institutions and Markets, focused on Financial Institutions and Markets, Structure, Growth and Innovations. The book elucidated IRDA policy reforms, Indian Financial System since 2002 and insurance sector reforms. The aggregate view of Indian insurance is presented in there developmental phases since 1818. Policy development, structure and various type of insurance plans are defined with evaluation process. The growth of
financial services, financial sector reforms and role of regulators in financial reforms has been discussed in this book.

**Singh, Kuldip (2009)** in his study, “A Comparative Study of the Product Strategies of Public and Private Life Insurance Companies in Post Reform Period” examined many products under basis of common basic constituent elements. According to him, LIC products are weak as compared to the private insurers so he suggested that the corporation must design stable products strategies with durable elements like private players, which can fulfill the needs of various customers and further build its image and goodwill to retain. He added that private insurers are advised to improve their age-wise strategies as a whole life plan to compete with LIC. IRDA should also make provisions regarding the issues of life plans according to the changing economic conditions, as we use the clothes according to the seasons, to save the innocent customers from the probable loss and give the real benefit of the insurance to them. In the present state of recession in the economy, only the traditional plans should be allowed to sell and not the ULIPs, because it may result into great losses for the customers. Even he added that if ULIPs allowed then only with guaranteed returns.

**Ranjedra and Natrajan (2009)** in their article “The impact of LPG on Life Insurance Corporation of India (LIC)”, stated that, in the post LPG period, the Life Insurance Industry of India witnessed a marvelous growth and touched its historical height. So many factors have collectively contributed for this remarkable achievement. In this tenure, the LIC of India introduced many phenomenal business strategies by way of offering colorful schemes and products. The reason for these kinds of extraordinary effect was only because of the stiff competition emerging by the private insurance players. The private insurance companies are offering plenty of new attractive schemes and products to get meaningful share in the market. However, the LIC of India has the powerful network
and it is launching attractive advertisements in the regular interval to create awareness among the general public. Simultaneously, the private life insurance companies are also taking much pain to cover-up the major populations under their boundary, for that they are sponsoring series of effective awareness programmes through many attractive advertisements. This healthy competition motivated the general public to go in favor of more investments in insurance. While comparing the efficiency and progressiveness of life insurance business in pre and post LPG arena, the Indian life insurance industries are achieving a meaningful growth.

Shivanand, H. Lengti (2009) in his article, “Insurance Dispute in India” revealed that the insurance companies have the option to select the appropriate authority and forum. It may be the insurance ombudsman or the consumer councils, to settle their disputes.

Varaprasad, V. and Murali Krishna, B. (2009) in their article, “Insurance Sector: Strategies for Intermediation and Marketing” revealed that the suggestions brought forwarded by this study are mix. The contribution of insurance sector to economic development hardly affects financial intermediation. He concluded that in order to make insurance sector significant competent of financial intermediation process, complete deregulation and increase in the face of reforms are essential at the same time, by adopting proper segmentation capture significant share in the market for the overall benefit of organizations.

Keerthi, P. and Vijayalakshmi, R. (2009) in their article, “A study on Expectations and Perceptions of the Services in Private Life Insurance Companies” reveals that the policyholder’s expectations are well met in the case of certain factors reacting to service quality. But, in the case of other variables, there exists a significant gap which means that policyholders have expressed low levels of service as against their expectations. If all the players in life insurance industry focus on the
effective delivery of services, they can win the hearts of customers and anticipate their increased market share.

**Pasricha, Gursharan Sing (2009)** in his thesis, “Performance of Life Insurance Corporation of India (LIC)- An Appraisal” revealed that why LIC is not going ahead and proposed the basic reason is that their products as well as technology are not upgraded and also there is need to improve the processes and popularize the scheme. With the entry of private insurers in the industry, many new channels of distribution have become available. However, LIC has not used them to the desired level. Therefore, he recommended that such channels be used aggressively by LIC to meet the rising level of competition. He also highlighted that advertisement plays an important role. With the help of advertisement, it increases awareness about life insurance products among the masses.

**Narayanan, H. (2010)** in his book, Indian Insurance A Profile, highlighted features of Indian insurance markets, development of insurance sector in India, major players in insurance sector and insurance products offered to Indian policyholders. The book also provided detail of growth of life insurance and general insurance in India with appropriate statistics. Various phases of growth and development of insurance are presented in an efficient manner. The comparison of life insurance and life insurance is also provided is Indian in Indian and global context. The detail of LIC and private players is given in this book related to number of life insurance policies, growth in life insurance premium, life insurance density and number of agents in life insurance etc.

**Selvakumar and Priyan (2010)** in their article “Indian Life Insurance Industry: Prospect for Private Sector”, have concluded that, growth in insurance industry has been spurred by product innovation, vibrant distribution channels coupled with targeted publicity and promotional campaign by the insurers. Innovations have come not only in
the form of benefits attached to the products, but also in the delivery mechanism through various marketing tie-ups both within the realm of financial services and outside. All these efforts have brought life insurance closer to the customer as well as made it more relevant. The insurance companies are increasingly tapping the semi-urban and rural areas to take across the message of protection of life through insurance cover. The insurers have also introduced products aimed at rural markets. Fund-wise Net Asset Values (NSVs) and portfolio allocations are disclosed on a regular basis. One of the most significant outcomes of the enhanced competition has been the reduction in the rates for pure protection plans. The life insurance market has become competitive benefiting the policyholder.

Rao (2010) in his article opined that the global scenario has an impact on the availability of reinsurance and its costs. This would determine the pricing of the insurance that is domestically transacted. Insurers should primarily earn margins on operations. If premium prices are low, and the management and distribution costs are high and as the claims cost are unpredictable and could get worse, the profit margins of insurers would go awry. Insurance is thus local in transaction but the necessity for reinsurance makes it international in its character. Data collection and analysis can be used to reduce the margins of errors in predicting the future and how it might shape. Insurers are required to continually predict the future behavior of the trends of their business, based on the past historical trends. But the Indian market suffers from lack of data, making insurers even more vulnerable to market surprises and the self-inflicted rating priorities they follow. It is indeed a big challenge for the insurers of today on how to shape their marketing strategies and how to manage the monies that they collect. Insurers know more of the former but less of the latter. The science of marketing is also eluding them, as the data available is little; and the need felt for making
scene out of it is even less. The future, therefore, for the insurers is even more challenging. It is interesting to know for market watchers what their strategies are to better manage their future with greater confidence, less uncertainty, and even lesser greed. These tasks indeed are daunting.

**Festus (2011)** in his study “Achieving Competitive Advantage in Insurance Industry: The Impact of Marketing Innovation and Creativity”, concluded that creativity and innovation in providing new and innovative services is an important factor in order to satisfy the clients need and that creativity and innovation in pricing and promotion and innovation and creativity in distribution, technological innovation are crucial in attracting new clients. The upper management perception and acknowledgement of innovation and creativity in insurance industry helps in motivating the innovation and creativity in the insurance sector. While the availability of marketing information for the innovation and creativity, whether through knowing services provided by other insurance companies or creating a research and development department may be hard to achieve but it will keep the insurance company more up to date with the services and new technologies. Finally, having a services recovery strategy for correcting the errors that may occur, while providing the services to the clients, will help the insurance industry in keeping the clients satisfied and attract new clients.

**Alamelu, K. (2011)** in his article, “Evaluation of Financial Soundness in India” reveals that the financial indicators of the Indian life insurance sector are satisfactory. The Indian life insurance sector has witnessed a robust growth with the advent of private players in 1999. The growth in the business of life insurers both private and public is remarkable. A product mix company has changed significantly and on array of contemporary products on par with international standards is offered. It takes a minimum of six to seven years for the life insurance companies to reach the breakeven point. Hence, in order to enhance their
market share and to have a sustainable premium growth. Companies have started expanding their presence by establishing branches all over the country. They are also bringing other innovative form of distribution channels.

Though the Indian insurer’s track record of performance is reasonably good, it cannot be denied that such a performance to a large extent is the outcome of various prudential policies followed by the IRDA. Moreover, there are few challenges faced by the Indian companies. These companies at present spend around 50 percent of their expenses for development purposes. So, expenses management may be a daunting task for them. Another area of concern is the shortage of actuaries. Given the rapid rate of growth there is an acute need for more trained actuaries as actuarial skills are fundamental to development of risk management capacity. Indian life insurance companies also face the problem of inadequacy of employees with professional skills in the arena of treasury management. This is more crucial in insurance because business involves shortcoming leveraging of funds due to its long-term maturity. In the present market environment, merely obtaining the yield on fixed interest securities may not be sufficient to meet all the commitment and development expenses. Hence, the treasury function must also acquire investment management skills. Many life insurance companies have entered into joint ventures with banks to acquire skill from bank treasuries.

**Bedi and Singh (2011)** in their article concluded that the total business of LIC has an increasing trend. The collected and analyzed data prove that the LPG is incorporating a positive influence on LIC of India and its performance. Total investment of LIC rose from Rs. 4587.7 crores in 1979 to Rs. 762891.7 crores in 2009. Proportion of premium collected by LIC out of total premium collected by life insurance industry is declined from 97% in 2001-02 to 74% in 2007-08. It indicates the
increasing competition from private sector. ICICI Prudential is becoming a stronger and stronger player taking over a lot of business of LIC due to aggressive and flexible product range. Still there is a lot of scope of development in the life insurance industry, where private sector will be a challenge in the front of LIC.

The review of literature indicates that a large number of studies have been conducted on the insurance sector both at the national and international level. Review of literature indicates that in national level studies researchers have emphasized mainly on life insurance sector, especially, Life Insurance Corporation of India. Although a few studies have been conducted on the performance of the non-life insurance companies prior to reform, but no worthwhile research relating to the evaluation of financial performance of non-life insurance companies during the post reform period has been conducted. Furthermore, no serious attempt has been made to compare the financial performance of public and private sector non-life insurance companies during the post reform period. Similarly, no proper studies have conducted to assess the impact of reforms on the financial performance and investment pattern of public sector non-life insurance companies. Thus, there exists a gap and this study titled, “An Evaluation of Financial Performance of Indian Public Sector Non-Life Insurance Companies during Post Reform Period” is an attempt to fill this gap.
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