Chapter fifth analyses the Relationship between Socio-Economic background and Attitude of LIC Policyholders.

The sixth chapter relates to identify The Factors Influencing the Selection of LIC Products. Further, it discusses the extent to which these factors are taken into consideration.

The seventh and final chapter presents the Summary of Findings, Suggestions and conclusion based on the findings of the study.

CHAPTER II
REVIEW OF LITERATURE

The present study is an attempt to analyse the attitude of the policyholders of Life Insurance Corporation of India in Ramanathapuram
District. The investigation is arrives at a conclusion based upon the different studies relating to the attitude of the policyholders. Such a review would facilitate the researcher to have a comprehensive knowledge of the concepts used in earlier studies and enable him to adopt, modify and formulate an improved conceptual framework for the use of the present study and draw meaningful conclusion.

Jayaraman\textsuperscript{13} in his paper “Development of Insurance Business”, outlined the methods for developing the life insurance business in rural areas. It suggested that the organizational infrastructure in the rural areas needs to be enlarged so as to bag the growing insurance potential there.

Srinivasamurthy\textsuperscript{14}, in his research report titled, “Improvement in Productivity of Administrative Personnel in the Field of Insurance” highlighted the major issues relating to the productivity of administrative personnel in the LIC. The impact of major issues on productivity had been analysed in that paper.


\textsuperscript{14} Srinivasamurthy, R., “Improvement of Productivity in Administrative Personnel in the Field of Insurance”, \textit{Federation of Insurance Institutions}, Hyderabad, 1982.
Meena\textsuperscript{15} in her thesis titled “Utilisation of Life Insurance Corporation by Policyholders of Madurai City: An Empirical Study” has studied the utilization of the LIC by policyholders and analysed the various factors which influence the level of utilization. She concluded that unless the corporation made its schemes attractive and effective, with good returning capacity and high bonus to the policyholders, it was bound to fail in its operations. She has also suggested that every expenditure be curtailed so that the corporation can pay letter returns.

Thomas\textsuperscript{16} has analyzed the various social security schemes of Life Insurance Corporation. It created a social security fund in 1988-89 with the object to extend insurance benefits to economically weaker sections of the society in the organized sector. The main schemes introduced by the LIC are, group insurance, group insurance scheme for Integrated Rural Development Programme loanees and rural group insurance schemes. The various schemes launched by LIC with the assistance of Central Government.

were meant to be a great relief to the poor people in the rural areas. But in reality, these schemes were not properly implemented by the authorities.

Prasad and Chakraborty\textsuperscript{17} have analyzed the performance of LIC and have pointed out that the LIC has slowly assigned a smaller percentage of its income to the policyholders. During the first year, after nationalization in 1987, it distributed 31.5 per cent of its total income to policyholders by way of different benefits. This percentage was 26.9 in 1976-77, 24 per cent in 1982-83 and 24.8 per cent in 1989-90. They feel that it is difficult to justify this tendency.

Namasivayam and Ganesan\textsuperscript{18} in their article titled “India’s Growing Life Insurance Business” said that the opening of insurance industry allowed 14 private players of leading Indian corporate to join hands with insurance conglomerates in other countries. Which finally trapped the public sector undertaking to change its competitive mask not only to retain the market share but also to safeguard the realistic and reliable entity are the minds of the common investors for ever. The major constraint in the receipt of


premium is time factor and rigid structure of instalments posed the investors more inconvenience only due to outmoded approach in the design of collecting premium since the inception of LIC. Finally, they concluded that the state owned monopoly had achieved the commendable growth in its financial track path not, only prior to the reforms but also after the liberalization had taken place in the industry. LIC knows the entire country “INDIA” better, before as well as after the reforms, but it should have to study the pulse of the investor’s base in order to retain the market leadership over the other players for continuous outstanding growth.

Nalini Prava, Tripathy in her article titled “An Application of Factor Analysis Approach Towards Designing Insurance Products in India” says that it has been half a decade since the insurance market was privatized and today, there are many innovative customized products available. The Indian insurable industry is witnessing a plethora of changes as consumers are given more options to choose from custom-made products, better transparency, improved technologies and processes and better service

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standards. The three pieces like people, procedure and process should be carefully evaluated to sell a product among the targeted customers.

Rajesh C. Jampala and Bh. Venkateswara Rao in their article titled “The Front Runner in Corporate Social Responsibility” said that Corporate Social Responsibility (CSR) was concerned with treating the stakeholders of the organization ethically or in a socially responsible manner. CSR, if implemented in its true spirit, helps in enhancing the quality of life of the stakeholders and the society at large. The CSR, has undertaken a number of programmes to satisfy their stakeholders. Further, it has introduced various social security schemes such as Janashree, Bima Yojana, Swarna Jayanthi Gram Swarojgar Yojana, Siksha Sahayog Yojana, and so on to uplift the poor and the downtrodden. Apart from this, it has invested a huge amount of funds in various social and development activities.

Jawaharlal in his article titled “Customer Relationship Management in Insurance Some Priorities” said that CRM is fast catching up with insurers

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as a tool for management activities. However, they should realize that the solutions being acquired are pragmatic and not mere advanced techniques. The target should be customized solutions rather than a participation in a mad race of technology. It would also make a great deal of sense to offer substantial discounts to the customer. One very vital part of CRM in insurance is the way it looks at claims settlement. For a policyholder, it is the early settlement of claims that matters. It would be much wiser to go in for a package which can be implemented easily rather than investing heavily in a fanciful platform. Insurance players should not be carried away by the apparent high-sounding appeal of the CRM solutions. They should rather aim at acquiring what suits their needs. In the end, it should be realized that it is for the enhancement of customer satisfaction and the resultant, business growth that a proper CRM platform is required. As such, it calls for a proper understanding of the customer’s needs and desires. Only then can the success of a proper implementation of CRM be ensured.

Ravi Kumar Sharma\textsuperscript{22}, in his article titled “Customer Relationship Management in insurance the new mantra” said that today, in the era of cut

\textsuperscript{22} Ravi Kumar Sharma, “CRM in Insurance the New Mantra”, \textit{Insurance Chronicle}, The ICFAI University Press, Hyderabad, February 2005, pp.21-22.
throat competition in the insurance sector, it is hard for the organizations to survive with their traditional strategy of selling. They need to be customer centric. We have seen the decline of the market share of LIC (it recently went down below 80 per cent) because of its large size and its inability to change. Today’s customer has a wide range of choices and he would opt for those, which provide him not the better, but the best service. So, to be customer-centric and maintain a loyal customer base, it is a must that the organization should focus on CRM strategies and inculcate the organizational culture of being customer friendly not in words but in practice. Further he suggests that for success, it is necessary to implement CRM in the right manner.

Venkata Ramana\textsuperscript{23} in his article titled “Protection of Policyholders Interest, Origin and Development of Statutory Safeguards in Consumer Insurance Contracts” said that the process of statutory reforms and revisions, from time to time, had made the consumer insurance contracts more and more comprehensive and consumer friendly. But the question remains as to what extent they have effectively served to protect consumers interests,

particularly in respect of personal lines of insurance like automobile and other classes of accident insurance.

Sudarshena Reddy\textsuperscript{24} in his paper titled “Customer Perception Towards Private Life Insurance Companies Policies with reference to Bangalore city” has explained the psychological factors such as motivation and personality, perception, learning, values, belief and attitude and life style which influence customer behaviour. Perception can be described, “how they see the world around us”. Perception is the process by which an individual selects, organizes and interprets information on the basis of objective reality. The objectives of the study are to know the customers opinion on whether private insurance policies are better alternatives of public insurance company’s policies or not and to analyze customer perception about hidden cost of private insurance policies and also to check whether customers are aware of health insurance policies or not; to provide suggestion to the private and public life insurance companies for successful business most of the respondents are aware of IRDA and its role in insurance sector and they feel that private insurance companies have been investing premium amount in accordance to the norms of IRDA, but still potential customers are requested to go with LIC when the decision making time comes since they are feeling that it is private company. Private companies may make extra effort for the

convenience of the potential customers. They can have an understanding with the banks for marketing insurance policies.

Rajesh C.Jampala\textsuperscript{25} has explained that marketing channels are sets of interdependent organizations involved in the process of making a product or service available for use of consumption. Organizations have many alternative channels for reaching a market. They can sell directly to the buyers or use one, two or three level-channels. There are basically four consumer marketing channels. They are zero-level channel, one-level channel, two-level channel and three-level channel. The zero level channel also known as direct –marketing channel, consists of manufacturer selling directly to the final customer. In case of one-level marketing the products are sold through the intermediary such as a retailer. On the other hand, in a two-level channel, there are two intermediaries. In the consumer market the two-level channels is widely prevalent. A three level channel contains three intermediaries. The channels normally describe a forward movement of products from source to user.

Viswanadhan\textsuperscript{26} has examined that insurance industry is a growth-oriented industry globally. In India too, the industry has started to reveal the potential after liberalization of the sector. A life insurance company’s, success reflects the consolidated effort of all its activities particularly marketing, investment and administration. Of these areas, marketing is the


largest in terms of both personal requirements and costs and is critical to success. Insurance in India will be growing at much faster rate in the years to come. Bancassurance, as an alternative channel of distribution will help the insurance industry to offer a range of contact points to the customers, thereby increasing the chances of success. Banks and Insurance companies in India wishing to pursue high aspiration insurance strategies, would do well through leaving from European bancassurers like Lloyds TSB in the UK, Credit Agricole in France and spains Banco Bilbao Vizcayae etc who have decades of experience managing insurance subsidies with outstanding results.

Ravi Kumar Sharma\textsuperscript{27} in his paper “Insurance Perspective in Eastern Up – An empirical Study” said that the task of the government is not to do business but to regulate the business. Public enterprise in any country cannot perform all the economic and business activities efficiently and effectively. It was one of the basic objectives to study about the reason why people purchased insurance. In India with less net penetration and even lesser number of people engaged in buying and selling of insurance products, it has been hard for the marketer to go for any other channel in the insurance sector. LIC has been the largest player in the Indian insurance market, which has been selling its policy mainly through its large chain of agents LIC agents more active than other private insurance agents. It is a good thing that now people are going for purchase of insurance not for tax saving but for future investment security and return. If the private players have to enter the

rural market, they have to inculcate a private culture and faith among the public because it is a long-term relationship in insurance sector.

Gautam Bonsal and Pawan Taneja\textsuperscript{28} in their analysis said that man is exposed to risks and uncertainties. For instance, the time of the death of a person is not certain and in the case of his premature death, his dependants may find themselves deprived of all means of existence. Insurance steps into transfer such risk and dangers to the shoulders of the person who are willing to accept the burden for monetary considerations. The essence of insurance is elimination of risk and the substitution of certainty for uncertainty. Insurance is thus a cooperative way of annihilating risk. Advertisements in the recent years have gained popularity in order to make people aware about the emerging products and services. The life insurance advertisements on Televisions will be more effective if they have emotional appeals. Materialism should not be stressed as a subject matter is more socially oriented. Moreover commercial channels are the best sources for telecasting life insurance advertisement.

Deepak. K.Srivastava\textsuperscript{29}, in his article first describes the business history of the Life Insurance Corporation of India which had once a monopoly. With market deregulation in India in 1999 the article describes


the way in which LIC has adapted to its new environment. One of these has been to enter Islamic Insurance market a major growth market in the world. This case illustrates that religion can exert a major effect on international business by influencing the socio-cultural-economic aspects of life in the host country. This is particularly true in a faith like Islam, which governs all aspects of life for a Muslim. This becomes important considering that the Islamic world is a major market with Muslims constituting one quarter of the world’s population. Insurance in India is rapidly expanding and high growth sector and LIC has always been a dominant player in this field. The Islamic insurance market has presented a potential opportunity and LIC has taken a step forward in tapping this market. The challenge ahead of LIC is to be sensitive to these issues so as to be successful in this venture.

Senthil and Narayanan\textsuperscript{30} in their article “Insurance Marketing – a Paradigm shift” have said that in the last decade reforms in India have started yielding the results in the Indian economy. The service industry in India achieved a phenomenal growth in the recent past and among them, insurance is one sector, which has witnessed high decibel growth thanks to the investor friendly regulator in the name of IRDA. Observing the trends the industry had been moving for the last two years, the commitment of the player to take the business forward is quite apparent. With the increase in awareness level about the insurance and the products, the day is not for off when all the insurable population in the country would have been brought

under the insurance net. The government’s resolve to continue with the reforms coupled with investor friendly IRDA regulations will surely take the business forward.

Tom Moormann\textsuperscript{31} explains the significance of tracking the customer satisfaction at regular intervals in an Insurance Industry and suggests that it is one of the very effective tools for the purpose. He says "For insurance companies that want to make the most of every opportunity to deliver superior customer service, customer satisfaction surveys can be an invaluable tool." The article also discusses a few practices and experiences of insurance companies like Mutual of Omaha, MetLife and the like.

Jawaharlal and Sarthak Kumar Rath\textsuperscript{32}, have analysed the “Customer Centricity in the Insurance Industry”. They urges the necessity of customer centric service by insurance industry with reference to the customer driven economy. The article suggests innovative distribution channels like corporate intermediaries, bancassurance, and affinity groups, direct marketing channels, internet etc., which make the customer relationship


management all the more efficient. The article elucidates the role of IT in creating customer centricity.

Jawaharlal and Nikhil Pareek\textsuperscript{33} in their article entitled “Customer Service in Life Insurance” explain the significance of an intermediary in improving business of Life Insurance as well as in spreading the awareness of Life Insurance across the Indian Populace. The article highlights the various lacunae that the Indian Life Insurance sector is encountering, which are preventing the customer centric service in this sector. The authors suggest a few measures to cope with the competition and plug up the loopholes in this sector, which include training the intermediaries, harnessing the technology and so on.

Narayan Krishnamurthy\textsuperscript{34} in his article “At every step of life”, stated that the dynamic lifestyles and the changing life circumstances of people in the present day call for the necessity to review the changing insurance needs of the consumer. The author suggests and explains flexible insurance


\textsuperscript{34} Narayan Krishnamurthy, “At Every Step of Life...”, www.icfaiuniversity press.org/books / iuponinsurance – ovw.asp.
products like unit linked policies, which suit the changing needs of consumers.

Jawaharlal\(^{35}\) who analysed “Customer service – Challenges Ahead”, stated that customer service is the buzzword of insurance sector today and narrates the various factors that matter to the quality of customer service by the companies. The factors include the need for explicit policy conditions, agents priorities, retention of business, need for healthy competition etc. The article concludes by saying that customer service, all said and done, can be achieved when the levels of awareness of insurance are raised across the country.

Rajesh C Jampala and Bh Venkateswara Rao\(^{36}\), in their paper titled “Sales promotion in the Insurance Sector : A Study of LIC”, unveils the increasing significance of sales promotion strategies which, in turn, influence the behaviour of consumers in a desired way. The paper attributes the reasons for the phenomenal usage of sales promotional measures to


increasing competition, declining brand loyalty, consumer sensitivity and advertising clutter. The paper discusses the various strategies adopted by LIC of India, which include consumer promotion strategy, trade promotion strategy and sales force promotion strategies.

Gopal\textsuperscript{37} in his article, “The overview of insurance in the pre-liberalization era in India” narrates the growing significance of CRM with the liberalization and globalization of Indian Insurance Sector. The article discusses various CRM strategies that are in place and suggests a few that could be implemented which include campaign management in retail insurance, top-down CRM and so on. The article concludes with a few suggestions for the growth of insurance sector for the times to come.

Jaya Krishna, S.\textsuperscript{38}, in his article entitled “Mobile and Wireless Applications in the Insurance Industry”, narrates the role of emerging technologies in influencing the delivery channels of insurance industry. The article effectively explains the influence of Wireless tools and their impact


on sales agents, clients, claim adjusters, thus resulting in efficient customer relationship management. The article explains how wireless applications facilitate better claims processing and customer satisfaction. The article shares the experiences of insurance companies like Prudential Insurance and Progressive Group in adopting the wireless culture in their operations.

Jawaharlal in the article entitled “Riders or customized Solutions”, narrates the nature and benefits of various riders offered by the companies. Life insurance riders are the fringe benefits offered to the customers along with a life insurance policy. They have assumed significance in India in recent times as an aftermath of the liberalization of insurance sector.

Mekala Mary Selwyn, in the paper “An Evaluation of Distribution Channels in Life Insurance: Agents Vs. Bancassurance”, outlines the Insurance industry in India which is witnessing a rapid growth. Players are adopting different strategies for the changing environment and the growing

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competition. Evolution of different distribution channels is the focus. This article examines different prospects of distribution channels.

Anil Chandhok41 in his paper titled “Emerging Issues in the Distribution of Life Insurance Products”, presents a thorough study of the private and public players in the insurance sector and the several existing distribution channels in the sector. The article discusses various reasons for low insurance penetration in India, which include ineffective distribution networks, poor marketing strategies and low consumer awareness. The article discusses the innovative distribution strategies being adopted by the private and the public sector insurance companies to improve the service standards, which include appointment of village extension workers by Birla Sun Life, tying up with NGOs by Housing Development Finance Corporation, Standard Life, introducing Metro Area Network (MAN) and Wide Area Network (WAN) by LIC of India.

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Chari\textsuperscript{42} in his article discusses various existing distribution channels and advocates the need for innovative distribution channels in the present competitive scenario of Indian Insurance Sector. The author advocates several essential steps that an organization should consider before finalizing distribution strategy which include existing vision and mission of the organization, core competency analysis, current customer profile, range of products etc. The article gives a suitable distribution strategy to be implemented in rural India to harness the rural populace.

K Suresh\textsuperscript{43} urges on innovation in the insurance distribution in India. The article discusses various innovative distribution strategies being adopted by the insurers, which include Bancassurance, tie up with other companies like FMCGs, affinity channels, post offices, telecom subscribers, and the like. The article discusses the insurers' efforts to harness the rural customer base through various effective channels.


Paromita Goswami\textsuperscript{44}, in his article entitled “Customer Satisfaction with Service Quality in the Life Insurance Industry in India” says that insurance industry in India was opened up to private sector participation in the year 2000. Prior to this, 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 per cent market share to the private players, although both market size and the insurance premium being collected are on the rise. In 2005, life insurance accounted for 79 per cent of the total insurance market in India. In view of the increasing competition, this paper attempts to understand the dimensions of service quality, which helps ensuring maximum customer satisfaction, and helps life insurers to acquire a larger share of the market. The study was done on a systematic sampling design. SERVQUAL scale was used to discuss the different dimensions of service quality and stepwise multiple regression was run with the scores on tangibility, reliability, responsiveness, assurance and empathy as independent variables and customer satisfaction as the dependent variable. It was found that the responsiveness dimension of

\textsuperscript{44} Paromita Goswami, “Customer Satisfaction with Service Quality in the Life Insurance Industry in India”, \url{www.icfaiuniversity press.org}. 
service quality provides maximum customer satisfaction in the life insurance industry in India.

Chinnadowri, Kalpana, and Sadhane\textsuperscript{45} in the study entitled “A study of motivational factors and level of satisfaction of Agents and Development Officers of LIC of India” consider Insurance as the best form of fortification against risk that has been formulated by man. Since its emergence, insurance has become unavoidable to every aspect of human life from health disorders to building properties from household articles to multimillion-dollar projects. The list is infinite. A mission statement aims to capture the values and beliefs of service organizations and provides guidelines to the way it should interact with its identified customer markets and other influenced markets. Almost every person, these days has a very short-term perspective on life and mostly depends on something that will satisfy their immediate needs. It is in this context that insurance is considered to be a social device to meet uncertain losses, when the need arises. In general, it is clear that an insurance organization bears the responsibility of offering world-class services to the ultimate users, which needs innovative marketing practices.

Success occurs when opportunity meets preparation. Although there are big opportunities in the insurance sector in India, the success rate depends on the effective distribution system. Traditionally, the agency sales force is a predominant method of distribution that requires personal interaction and guidance, since selling insurance is a complicated process with the sales force as the key distribution channel. It is apt to mention that the business of insurance is based on the skill and excellence of agents and this builds a strong advocacy in favour of personal selling. Hence, the role of agents and development officers is not restricted to just effecting services or sale contract for the customers on behalf of insurance companies: It is beyond that—where policyholders view them as a friend, philosopher and guide. As LIC’s total business is affected through the agency sales force, the need of the hour is to study the importance of motivational factors and the level of satisfaction of agents and development officers of LIC of India, as they constitute the human element in the insurance sector.

Guyanpartner\textsuperscript{46} of accenture claims solutions group has published “Claims issues have dramatically more complex in Recent years”, In a

recent survey (2001) conducted by a society in the USA it has been stated that 90 percent of customer relations in the insurance industry is affected because of bad handling of claims management. The organizations have their own vision and policies about settling claims and maintaining customer relationships. But their vision is not turned into action. Translating vision into action requires strong organizational structure and the commitment to perform. The management and professionals involved in the task have to adopt their behaviour to the changing needs and translate the objectives of the organization and strategic plans of businesses into action. For this particular purpose, there is every need to identify the grey areas of claims process and keep ready the stock of remedies in the portfolio. To translate the objectives and vision into action, an insurance company should concentrate on professional development and knowledge management, customer service and satisfaction, and other factors such as, accuracy, high quality, operating efficiency and constant cost reduction.

Every customer or consumer of the insurance product should understand the policy and the risk, and accordingly prepare and preserve the documents, estimations, reports and other related information. Most of the insurance claims are being turned down because of the lapses on the part of
the customers themselves. It may be because of ignorance of the procedures
to be followed. Whatever may be the reason the ultimate victim is the
customer. He is the real sufferer; he not only loses the asset insured, but also
money and time in processing the claims and settling litigations.

Raman and Gayathri\textsuperscript{47}, “A Study on Customers Awareness towards
New Insurance Companies”, states that Life Insurance is a contract for
payment of a sum of money to the person assured (or failing him/her to the
person entitled to receive the sum) on the happening of the event insured
against. Usually the contract provides for the payment of an amount on the
date of maturity or at specified dates at periodic intervals or at the time of
death, if it occurs earlier. Among other things, the contract also provides for
the payment of premium periodically to the corporation by the assured. Life
Insurance is universally acknowledge to be an institution, which eliminates
‘risk’. It certainly substitutes for uncertainty and comes to the timely aid of
the family in the unforunate event of death of the breadwinner. By and large,

\textsuperscript{47}Rmana, N. and C.Gayathri, “A Study on Customer Awareness Towards New
life insurance is civilization’s partial solution to the problems caused by death.

Sanchit Maini and Sumit Narayanan\textsuperscript{48} in their paper discussed the interpretation of policyholders’ reasonable expectation by the actuarial profession, the regulations and the court. The phrase policyholders’ reasonable expectations has been used by activities and the regulations to describe a concept without ever defining it. As a result the definition became a legal matter with its interpretation in specific circumstances being left to the courts. Historically, the Indian markets have been savings oriented with endowment and anticipated endowment products being popular. These two products combined with single premium bond still account for over 80 per cent by premiums, of the total sales of LIC. More recently most issues have introduced unit linked products with growing popularity in the Indian market. In a developing economy like India, most insurers face the risk of volatile investment condition. In this paper the author discussed the interpretation of “Policyholders Reasonable Expectations” by the actuarial professors, the regulation and the courts. The equitable life judgement was

the first extensive legal test of Policyholders Reasonable Expectations and has had significant impact on the life insurance industry. Developments in order markets signify the importance of all directions to be responsible for Policyholders’ Reasonable Expectations. It is an opportune time for the actuarial professor and the insurance industry in India to address various facts of measuring, managing and monitoring Policyholders’ Reasonable Expectations.

**Research Gap filled up in the Study**

Review of earlier studies on policyholders has helped to identify the research gap. Studies pertaining to the policyholders in Ramanathapuram district are found inadequate. The previous studies covered mainly the choice and utilization of Life Insurance Corporation of India by the policyholders. The attitude of the policyholders towards the Life Insurance Corporation of India remains not fully explored by research. Therefore, an in-depth and comprehensive study is needed on the attitude of policyholders attempt to evaluate the factors influencing the attitude, level of attitude and identification of the factors affecting selection of Life Insurance Products.