CHAPTER IX

PROBLEMS IN THE MARKETING OF FIRE INSURANCE

In the present chapter, the problems of the general insurance company in marketing fire insurance policies in the study area are discussed under the following three heads:-

I Problems of the general insurance companies
II Problems of the development officers
III Problems of the insurance agents

I COMMON PROBLEMS OF GENERAL INSURANCE COMPANIES

A keen evaluation of the performance of all the four general insurance companies in the study area in fire insurance marketing reveals that, the companies have to devise measures to mop up the potential resources. Especially in Sivakasi, Sattur and Srivilliputtur towns, there are hundreds of small matches units, not taking fire policy. All the four companies are rather lukewarm in approaching these small units for fire business. The reason is that the general insurance companies need big clients in order to collect fire premium in bulk for achieving their targets. In that process, they are not concerned about the small business firms. The insurance
companies have to toil at converting such prospects into actual policyholders.

The negative attitude and tendency of the policyholders towards fire insurance is a major hurdle for the insurance company to be assured of a regular demand for fire insurance policies with the small amounts of sum insured. Additionally, the awareness among the potential policyholders to the fire insurance service is low. A list of problems encountered by the four subsidiaries of General Insurance Corporation of India are furnished hereunder.

1. **LOW FREQUENCY OF CLAIMS**

The low frequency of claims is a major reason for the limited exposure of fire insurance service to the business community and the public. A timber merchant possessing inventory valuing several millions of rupees is not concerned about taking fire insurance. When the researcher queried on this point informally, the merchant replied that his firm was established some fifty years ago and even a small fire mishap or other allied perils was not experienced by his grand father, father and himself so far.

Thus, the long experience of those people without fire accidents infuses confidence to skip fire insurance
for years together although they keep the most hazardous material in their commercial ventures. With the passage of time, they develop to hold a conviction that taking fire insurance is a sheer waste. It is the onerous task of the general insurance companies in the study area to change the prevalence of this psychologically negative climate.

2. UNTAPPED SMALL FIRE BUSINESS

A torrid zone in fire insurance marketing is the skipping of small premium yielding fire business and assigning importance to the large premium yielding business by the development staff of insurance companies. Especially, the development staff need to be in good terms with the financial institutions and big industrialists, who may spare premium in millions of rupees. They give least significance for fire business yielding small amount of premium. Moreover, they have to struggle hard for creating the awareness and convert such small potential policyholders into actual insured. This is a time consuming process. And, convincing a banker with impressive service, will help the development officer to get his long patronage because of the mandatory provision of insuring the properties covered by bank finance. So, the banker will cede business continuously to the latter.
3. LACK OF POTENTIAL MARKET SURVEY

The next important problem is the absence of official potential market survey for individual folios of general insurance. New India Insurance Company alone conducts such survey on the caption "General Insurance Premium Potential Survey", and that too in Tamilnadu State only. So, barring New India Assurance Company, all the other companies do not carry such survey at all in the study area. The potential premium survey will help the insurance companies to approach the market in a methodical way. It greatly aids the companies in fixing their annual targets in consonance with the potential premium which could be tapped in the area of operation. Especially in fire folio, the survey becomes indispensible for the company to pinpoint to the development staff, the potential areas where they could lay stress on exploiting untapped business. The potential fire business includes securing both the fire policies from new policyholders and additional policies from the existing policyholders. With regard to the existing policyholder, insurance companies have no idea of covering fire business for the entire value of the risk to be covered, and they invariably go for under insurance. For example, an insured may take fire insurance on the stock of goods worth Rs.10 lakhs only for Rs.4 lakhs, inspite of the
advice of the insurer to take cover to the full value of the property. The company could materialise fire policies for the balance of Rs.6 lakhs not covered by convincing the insured. Thus, there is a scope for potential premium in existing business also.

4. LACK OF MANPOWER IN MARKETING

Every year, the general insurance is thriving with increased premium from all of its folios and the general insurance companies achieve their target every year. This is due to the existence of large volume of untapped business and creation of new business.

But the manpower available in all aspects of marketing is highly limited. Especially, the number of development officers and agents working in the study area is not commensurate with innovative marketing efforts in general insurance. The innovative marketing is an essential ingredient in fire insurance marketing. With the absence of potential market survey and with limited manpower, the development department approaches only people already with a demand for fire insurance. The constraint of achieving the target makes them to avoid the hit or miss approach. They want hits only and when the target is achieved, their intensity to meet the prospects and
convert them into actual insureds stands with less significance. Now, for every fifty thousand of the people there is only one development officer; for him it is very difficult to carry the product in an extensive way to the prospects and convert them into actual policyholders. It is evident that manpower is very limited in the study area for making innovative approaches in fire insurance marketing.

5. ABSENCE OF CREATIVE MARKETING

Both the surveys and the informal interviews with the development officers enabled the researcher to transpire that the creative marketing in fire insurance is utterly lacking. Creative marketing refers to the efforts of the development department of the general insurance company to materialise untapped potential sources of fire insurance instead of making business attempts in dislodging the existing fire policies of the other insurance companies, and thereafter, to get established patronage of the clientele by simply collecting the renewal premiums. They do not seriously think about the creative marketing efforts in which they have to make systematic approaches to the prospects by a neat and vivid presentation of the fire products. Only the creative marketing helps to arouse an awareness amongst the prospects, and mould them into permanent policyholders.
6. REINFUSEMENT OF EXISTING BUSINESS TO NEW DEVELOPMENT STAFF

It is learned during the study that the development officers of the general insurance companies are promoted within a short period of seven to eight years, as Assistant Administrative Officer in the development department. The business accumulated by him so far will be entrusted to another officer, who is newly recruited to fill up the vacancy caused by the elevation of the existing development officer. The new development officer has to divert a major portion of his time schedule in serving the existing clientele built up by the previous incumbent. With the help of the existing clientele, he forms his own clientele with the addition of new clients. He need not strain to build up a circle of clients purely created by his own effort. Therefore, when he is serving the existing business, he turns out to a parasite taking shelter under the clientele structure created by the previous development officer.

7. ACUTE COMPETITION TO DISLODGE THE EXISTING BUSINESS OF OTHER COMPANIES

The census study of the development officers reveals that there is a fierce competition among the four companies in fire insurance marketing. Sometimes, there is
an ugly competition between the four companies to dislodge the existing fire business of other companies. Instead of tapping the potential resources, the development officer approaches the existing clients of other companies to get the business to their favour, especially at the time of renewal. This is a disastrous marketing effort, because the clients may receive already a good service from an insurance company to which they have ceded their fire policies. At the same time, some policyholders may switch over from the existing company to other companies, if they are dissatisfied over the aftersales service of the present company. When the other insurance companies make their approaches to such dissident policyholders, there is a coincidence of the need and the approach. Here, the development staff cannot be blamed, because the client has already decided to shift the business to any one of the other companies.

8. NO PROPER ADVERTISEMENT CAMPAIGN FOR FIRE INSURANCE

That advertisement is quite ineffective in fire insurance marketing in the study area is substantiated by the responses of 82.67% of the 300 sample policyholders surveyed. This is further reinforced by the census study of development officers, 73.8% of them have reported that the advertisement pattern followed by all the four general insurance companies is not effectual in creating awareness
in fire insurance. All the four companies release hand brouchers explaining the different classes of fire poli-
cies. But, no company is engaged in creating and executing a massive advertisement campaign meant exclusively for fire insurance.

It is well known that fire folio is a profitable one to the general insurance companies. So, a massive advertising through visual media like television, cinema, video display, and so forth would make people to have an awareness in fire insurance. A word of caution that is warranted in this context is that the instant benefit from such advertisement campaign could not be gauged, and the benefit may be realised in the long run.

10. PRACTICE OF UNDER INSURANCE

Policyholders' taking of under insurance is a common phenomenon in fire insurance marketing. The survey of development officers noted that a conspicuous proportion representing 47.62% affirmed that, their clients were slanting towards under insurance. The policyholders' practice of under insurance is very common in buildings and machinery by reason of less hazardous nature of the properties as against more hazardous assets like inventory of goods. The inventory is subject to over insurance for the obvious reason of the greater element of hazard in it.
11. **INTRODUCTION OF SSI (SMALL SCALE INDUSTRIES) RATE FOR FIRE POLICIES**

The introduction of reduced rate of fire premium for small scale industrial units with effect from June, 1985, is also a hurdle for the amount of fire premium to get increased every year. Hundreds of industrial units in Kamarajar District have registered themselves as SSI units to take advantage of the impetus given by the government of Tamilnadu for their growth. It is imperative for the marketers of fire insurance policies in the study area, to experience a phenomenal increase in the number of fire policies to compensate the loss caused by the rock bottom rates quoted for the SSI units.

12. **INEFFICIENT CLAIM SERVICE**

Since the fire claims are scanty in number when compared to the other claims, the general insurance company has only limited chance to prove its efficiency of service in fire claim settlement. Even in such a restricted opportunity, if the insurance company fails to prove its efficiency, then it has to lose the patronage of existing policyholders. The expeditious settlement of fire claims requires co-operation of both the administrative and development department of the general insurance company.
The survey of development officers in the study area has brought to sharp focus that 21.43% of them have lost fire business on account of policyholders' dissatisfaction over settlement of claims. Further, 4.76%, 4.76%, 11.90%, 14.28% and 11.90% of the development officers respectively charged the Divisional Manager, Branch Manager, Assistant Administrative Officer, clerical staff and surveyors, for their indifferent attitude in the matter of settling fire claims.

13. FIRE INSURANCE FOR HOUSES AND THEIR CONTENTS

The volume of fire insurance taken for residential houses and for the household appliances and equipments is not upto the mark in the study area. Only 21.34% of the total number of sample policyholders, took fire policies for their commercial properties and also for their non-commercial properties like residential house and their contents.

The introduction of householders' policy which is a non-traditional business of general insurance proves a blockade for selling fire policies for houses and their contents. The householders' policy is designed to cater to the requirements of the householder by combining under a single policy, a number of contingencies like coverage for buildings and its contents against fire and lightning,
burglary, damage to plate glass, breakdown of domestic appliances, loss or damage to T.V. sets and pedal cycles. This attractive policy with comprehensive risk coverage with less premium makes the general fire policies for houses and its contents to be far away from the prospects.

14. GENEALOGICAL RELATIONSHIP AND COMMUNAL FEELINGS OF POLICYHOLDERS

The insurance persons of the development department of the general insurance companies in the study area are having genealogical relationship with the policyholders. This relationship serves as an important strategy in canvassing fire policies. Especially, the development officer resorts to this approach to a large extent. As a consequence, the policyholders shift the fire business from the existing company to another company, where his relative may serve in the development or other departments. This shifting is effected despite the policyholders would have service from the existing company. In certain cases, the development officer is given fire business, provided he hails from a particular community/caste of the policyholders.

In both the aforesaid cases, the development officer, as an efficient salesman with a good package of aftersales service, is not taken as the criterion for securing fire policies for the insurance company.
II PROBLEMS OF DEVELOPMENT OFFICERS

1. LACK OF KNOWLEDGE

The survey of the fire insurance policyholders brings to light that 16.33% of them are not satisfied with the approaches of the development officers. From the viewpoints of such dissatisfied policyholders, it is known that the development officers have no thorough knowledge in fire insurance. The policyholders also affirmed that the development officers depended too much on their superiors for clarifying their technical doubts.

Especially at the time of claim settlement, the policyholder expects sound knowledge of the development officer that would assist him to have an expeditious settlement of fire claims. But the policyholders found that the development officer's assistance was not up to their expectation owing to the inadequacy of knowledge of the latter.

2. CONSTRAINT IN ACHIEVING THE TARGET

The General Insurance Corporation of India is a profit oriented undertaking. It keeps a steady average dividend of 16.5% in the last decade. So, it controls its subsidiaries primarily by setting an increased amount of total premium as the benchmark. The subsidiaries, in
turn, fix targets to be achieved every year for their branches. The branch manager with the incumbency of achieving the target exerts a heavy pressure on the development officers with increasing annual target. Therefore, the development officers approach the market only with the intention of smashing the target and availing of their increments and other employee benefits, which they will lose in case of not achieving the target. They do not make methodical approach at all, both to the prospects and clients. They want 'big business' and that too with little effort.

3. CONCENTRATION ON BUSINESS OTHER THAN FIRE

As seen supra, that the top level management is not concerned much about the achievement of target with 'balanced portfolios'. Even when a development officer achieves the entire target of premium through marine business alone or motor business alone, the branch manager never censures the development officer and closes the matter by simply informing the development officer to concentrate on other classes of general insurance also according to the ratio given in the balanced portfolio. Compared with fire insurance, the development officers find that marine motor and other non-traditional policies
can be easily marketed, because of the frequent exposures
of such services through increasing claims every year.

4. STRAINED RELATIONSHIP BETWEEN THE DEVELOPMENT OFFICER
   AND ADMINISTRATIVE STAFF

Claim settlement requires the co-operation of the
administrative staff of the insurance company. But the
development officer, an important organ of the develop­
ment department, encounters sometimes, strained relation­
ship with the administrative staff of the same branch.
The administrative staff are envy of the development staff
members' enjoyment of quick promotions and availing of
other perquisites provided by the insurance company.

The strained relationship adversely affects the
settlement of claims. The administrative staff never under­
stand the importance of prompt settlement of claims. This
lethargic attitude results in a delay in the settlement
of claims and the policyholder becomes the scapegoat in
this drama. Eventually, the development officer earns
the displeasure of the client and loses his business after
sometime.

5. LACK OF INCENTIVES TO DEVELOPMENT OFFICERS SHOWING
   REMARKABLE BUSINESS IN FIRE INSURANCE

Since the claims are lower in fire insurance when
compared to other categories of general insurance, it
gives more underwriting profit to the insurance company. Also, as it is very difficult to canvass fire policies, due recognition must be given to the development officers who make good performance. The insurance company can well reward the development officers who secure a large amount of fire business by selling different types of fire policies every year.

III PROBLEMS OF AGENTS

It is the observance of the study that the general insurance agents have played an insignificant role in fire insurance marketing.

1. POOR KNOWLEDGE ON FIRE INSURANCE

Since there is no organised training programme for the agents to impart knowledge on different facets of general insurance and training in salesmanship, the agents do only a little in fire insurance marketing. The development officer fails to provide the insurance agents with adequate product knowledge on fire insurance. The development officers simply utilise the services of the agents as an aid to achieve their targets, instead of using them as an effective external force in fire insurance by educating them in the right perspective.
2. AGENTS' FAILURE TO TAKE GENERAL INSURANCE AS THEIR FULL TIME CAREER

Unfortunately, the number of agents who take general insurance as their full time career is very limited. They could not earn a handsome amount as commission from marketing general insurance policies. Therefore, generally, the agents undertake general insurance along with other ventures like life insurance. This attitude of agents impairs the prevalence of a conducive atmosphere in marketing fire insurance policies, and they do not put forth sincere efforts in fire insurance marketing, and go for other ventures to augment their income.

3. ABSENCE OF BASIC REMUNERATION TO AGENTS

The insurance agents are paid only certain percentage of commission on the amount of fire insurance premia collected by them. They do not get a basic remuneration, namely, a fixed amount of minimum remuneration. If, the basic remuneration is paid to the agents, irrespective of the amount of premium they collect, then they would feel secure to a certain extent, and contribute their mite to a better marketing share in fire folio.
4. LOW RATE OF COMMISSION TO AGENTS

The rate of commission allowed to agents on the fire premium collected is not commensurate to their work; it is only a paltry 5% on the fire premium collected. An informal interview with the agents in the study area divulges that they need an increase in the commission to at least 10% from the present 5% of the fire premium collected by them. Moreover, in regard to fire premium collected on bank clause policies, if the sum insured exceeds Rs. 25,000/= then the commission is deducted from the premium, and only the remaining amount is collected as net premium from the insured. This mars the initiative of the agents to sell bank clause policies, because more than 80% of the bank clause policies are with the sum insured exceeding Rs. 25,000/=.

5. INACTIVE AND DUMMY AGENTS

Inactive agents make an insignificant contribution to fire insurance marketing. Such an agent never procures policies from the other policyholders. Sometimes, at the concurrence of both the insurance company and a big policyholder, who yields fire business in lakhs of rupees, a dummy insurance agent is appointed by the insurance company to represent solely the rich policyholder. Usually, the dummy agent is the close relative or friend of the
wealthy policyholder. The salient features of the dummy agency are that - first, his business transaction is purely confined to one big policyholder only, and so, he will not procure policies from others. Finally, the commission earned by the dummy agent is utilised by the big client to reduce the cost of fire insurance.

It is evident that the fire insurance industry in the arena of marketing in Kamarajar District is in dire straits owing to problems caused by both the buyers and sellers. This strongly suggests that to cull out the problems faced by the industry in the field of marketing, resolute measures are to be taken by the General Insurance Corporation of India (GIC), namely, the head office of the four subsidiaries through drastic changes in its policies instantaneously.