CHAPTER-I

INTRODUCTION AND DESIGN OF THE STUDY

INTRODUCTION

The main effect of Industrial Revolution was the development of mass production, which in turn enhanced the growth of industries on a large scale. New entrepreneurs came into the production field with huge amount of capital and undertook industrial and trade ventures. Since profit maximisation was their sole aim, they were in need of some means by which they could manage the risks involved in their enterprises. Some risks they ought to face, and some risks they can transfer in organised forms. Shakespeare, in his play "The Merchant of Venice", wrote in 1596, reiterated the necessity of risk management in the voice of Antonio, the main character of his act as follows:

"My ventures are not in one bottom trusted nor to one place, nor is my whole estate upon the fortune of this present year."

Antonio thought even if one or two of his ventures miscarried, he would still not be ruined. But in later part of the play, after he faced some unpleasant moments,
it was reported that all his ventures had foundered one way or other. Even though Antonio went for a shrewd risk spreading job, his misfortune caused him the loss and his was a crying case for insurance. A number of methods are in use for handling risks. They are risk avoidance, reduction, and transfer. The transfer of risks takes two forms.

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

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

The Random House Dictionary of the English Language defines insurance as "The act, system or business of insuring property, life, one's person, etc., against loss or harm in consideration of a payment proportionate to the risk involved... coverable by contract in which one party agrees to indemnify or reimburse another for
any loss that occurs under the terms of the contract..."¹

W.A. Dinsdale defines insurance as "Insurance is a means of spreading over the many, losses which would otherwise be borne by the individual. It provides, in effect a pool to which the many contribute and out of which the few who suffer losses are compensated."²

In 1601, the preamble to an Act of England Parliament stressed the need for insurance especially, for ships and merchandises冒险ed on a long voyage to remote parts. "... The loss lightenth rather easily upon many than heavily upon a few is the essential feature, the insured person transfers from his own shoulders the financial burden of some potential misfortune to the broader shoulders of the insurers, who in turn, for agreeing to assume a potential risk of loss receive a payment known as premium..."³. Thus, the need for insurance was cultivated earlier in 1601 especially for marine insurance.


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

FIRE INSURANCE

The need for fire insurance was felt after the great fire of London in 1666. The fire originated in a baker's shop in Pudding Lane on September 2, and fanned by winds in three days, it spread over to 36 acres of London from the Tower to Temple Church. The fire destroyed 13,200 houses, Old St. Pauls Guild halls and buildings. It was the greatest and most destructive peace time fire that even afflicted the cities of the British Isles.

The Industrial Revolution that resulted in far reaching changes in manufacturing process owing to the
introduction of machines, created a phenomenal expansion in material wealth like factories, machinery, warehouses, ships, docks, mercantile buildings for the storage of goods after transit and the stocks of consumable goods. For the protection of all these properties, the demand for fire insurance grew in proportion to the value of the property.

Fire insurance flourished for all practical purposes after the great fire 1666. Before that, guilds provided some measures for relief where the fire was not the result of the own fault of the member of the guild. Relief was also given through briefs, the authoritative letters given to each parish to be read in churches and collections were made by church wardens. The system was abused and the amount subscribed bore little relation to needs.

In 1638, however, a petition was made to the King in England for a patent under which it was proposed that an annual payment should be made by house owners in return for which they had the right to have their premises rebuilt in case of destruction by fire. However, the scheme did not materialise. According to tradition, Nicholas Barbon set up an office for insuring houses
against fire in 1667 and there is no proof of this, and so, there was no office for fire insurance until 1680. Categorically, there was no organised fire offices before the great fire in London.

EARLY FIRE INSURERS

The first organised fire insurance office in "Phenix", which offered first insurance for seven years on houses. Double rates were charged for timber built houses. The next fire insurance scheme was brought into force by a petition to The Common Council of London. The scheme was abandoned due to the impropriety of the citizens, who mismanaged the revenues of the scheme.

In 1683, the "Friendly Society" came into operation as a competitor for the Phenix office. Members joined with an undertaking to subscribe for indemnifying loss up to a specified sum along with a deposit.

Last came was the "Amicable contributors for insuring from loss by fire" better known as the "Hand in Hand". The said four fire insurance schemes were carried only on mutual basis, and there was no guarantor other than the members themselves. The Industrial Revolution brought sea changes in the industrial structure, and after that, there was a rapidly increasing demand for
fire insurance, and various joint stock companies were formed for the transaction of fire business in London. Gradually, all the other countries of the globe started practising fire insurance.

FIRE INSURANCE IN INDIA

In 1825, The Alliance British and Foreign Fire Insurance Company established an agency office at Madras, and was probably the first to issue fire insurance policy in the sub-continent. Meanwhile, many leading foreign trading houses operating actively in India, added insurance, to their existing business by undertaking the representation of several foreign offices. Their existing connections were large and their organisation well spread and their influence in the commercial life of the country was so complete as enabled them to develop a sustained insurance market among the commercial community.

Following the Alliance Company, "Royal Insurance Company" appointed their agents first in Calcutta and soon after in Bombay. "The Liverpool and London" and "Globe" commenced fire business through local agents in 1853, and the "North British" followed in 1861, the "Commercial Union" in 1870, and by 1885 nearly 50 offices most of them British, some colonial and a few continental had begun to transact business through agencies.
Fire insurance, in the beginning, was popular only in India and a majority of the transactions were confined only to the major cities of India. "Fire insurance, first grew around the commercial community in India. The early fire insurance transactions seem to be confined to the principal cities of Calcutta, Bombay and Madras..."\(^4\)

**DEVELOPMENT OF GENERAL INSURANCE COMPANY WITH INDIAN ORIGIN**

It was in 1907 that the Indian Mercantile Insurance Company was established with Indian capital when the need for purely Indian insurance company was strongly felt on political and economic grounds. At the end of the first World War, seven large Indian insurance companies were established. Competition lead to severe struggle in the market controlled by international experts in the field. Government interference and investigation were inevitable. In 1935, a special officer was appointed to investigate and report on insurance law reforms and in 1938, the Indian Insurance Act was passed and brought into force in 1939 which incorporated the principle

\(^4\)Elements of Insurance, The Chartered Insurance Institute, London, Federation of Insurance Institute, Bombay, p.305.
uniform Government control to all insurers, both foreign and Indian nature. This was an important landmark in the history of insurance. From 1957, principal agents ceased to exist, and only ordinary agents were permitted in view of the amendment of Insurance Act, 1938. The General Insurance Council also constituted the Tariff Committee to control and regulate rates, terms and conditions of general insurance business. The Tariff Advisory Committee operated with the Regional Committees in Bombay, Delhi, Calcutta and Madras. Each of the Regional Committees constituted sub committees for fire, marine, and miscellaneous general insurance.

FORMATION OF GENERAL INSURANCE CORPORATION (GIC)

On 13th May 1971, Government of India took over the management of 107 units of general insurance companies and established the General Insurance Corporation of India by an ordinance promulgated by the President of India for carrying on the business of general insurance with effect from 1st January 1973. The then 107 insurers were merged under any one of the four subsidiaries of the General Insurance Corporation of India, namely:

- National Insurance Co., Ltd.
- New India Assurance Co., Ltd.
Oriental Insurance Co., Ltd.
and United India Insurance Co., Ltd.

The prime objective of nationalisation was making general insurance to get shifted as a city culture and to reach even the hands of rural mass.

INSURANCE AND MARKETING

"Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want satisfying products and services to present potential customers."[5]

In relation to tangible goods, marketing has grown only gradually in the course of human history. It became a necessity at the beginning and during the first half of the present century, as the consequence of mass production. The Second World War and the post war period, which were characterised by scarcity and recovery, stopped it temporarily, but since 1950, it has grown considerably and has emerged as one of the key disciplines in modern business management. Some view it as the power house of industrial growth and the mechanism for sustaining the growing prosperity.

"Products and Services" is a phrase commonly used in reference to marketing terms. However, services are ignored when compared to the significance given to the products. But, service also has its own domain and being considered a necessary in modern economic and social life. Not only services are important, but there are differences in services, which directly affect marketing systems.

The vast variety of services makes it difficult to describe overall marketing procedures in this area, because of the two major and peculiar characteristics that service possesses, namely, intangibility and the simultaneous production and receipt of services. Because of these two characteristics, service marketing cannot go for an absolute fall in line with the marketing concepts applicable to tangible goods marketing.

"Because services are less tangible and because production and receipt occurs simultaneously, many services are marketed through systems which are different from those used for products."\(^6\) Especially, the intangible nature of service is the major hurdle in its marketing aspect when compared to tangible products marketing.

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"In product oriented businesses, the physical reality of the product provides a simple but powerful base on which to build a business description."7 "In goods marketing, there is a tangible core around which the offering can be developed."8

Thus, sellers of tangible products are blessed with the fabulous feature of physical reality of the product, whereas the sellers of service must be able to conceptualise their services and benefits for prospective buyers. They must provide mental pictures of what buyers can expect to receive, because of the absence of physical product features to help them for communication.

Different types of services are marketed, i.e., personal services, professional services, and financial services. Financial services are marketed to both business managers and final consumers. Insurance is one of the important types of financial services which suffers more in being got marketed than the other financial


services like banking and securities. A customer of a bank gets satisfied when his cheque is duly honoured or his loan is sanctioned or he receives cash for his matured deposit at the counter. Thus, the customer is enjoying the service then and there. But in insurance, the client will realise the service only when a claim is lodged. (The insurance contract is a blend of indirect, future and contingent services in connection with the risk. The contract is about the only tangible aspect that can be presented to a prospective buyer, and it is difficult for the prospects to comprehend. Consequently, sellers must describe both their service and the benefit they promise. Insurance lacks the "immediate need" as in the case of other intangibles.

Nowadays, insurance marketing is also a customer oriented philosophy as it is in product marketing. A marketing mix can be designed for insurance, in the same way in which it is framed for tangible products.)

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>PLACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy made to suit the needs</td>
<td>(Distribution)</td>
</tr>
<tr>
<td>of and wants of the customer.</td>
<td>Employees (Development</td>
</tr>
<tr>
<td>After sales service and claim</td>
<td>staff)</td>
</tr>
<tr>
<td>assistance</td>
<td>Agents</td>
</tr>
<tr>
<td></td>
<td>Marketing Agents</td>
</tr>
</tbody>
</table>
### PRICE
Adequate rating with a flexible approach to market conditions

### PROMOTION
Sales promotion personal contacts, own publicity, institutional publicity, public relations


(Insurance companies, both life and non life are chalking out their own marketing programs after analysing the feasibility of different kinds of product, taking into account the awareness and need of the potential buyers.) They are not launching haphazard actions in their approach in reaching the clients and the prospects. They come into the market well planned and implement them with a good control system which includes the analysis of the failures of products in reaching the public and making necessary modifications. Thus, insurance companies are within the ambit of marketing mechanism as applicable in other cases.

(Insurance companies market their product in an unpleasant and psychological climate.) The absence of the physical product feature and the immediate need for insurance, pressurize them to depend on the human resources even from rudimentary stage of marketing.
Insurance companies depend on their official sales force (may be called the internal sales force) and the external sales force (agents and brokers) for marketing their products. In service markets, the official sales force tends to be more important than it is in industrial markets.) Whatever may be the nature of the marketing endeavour taken by the insurance company, it must be channelised through the internal and external sales force called the Development Department and Agents. The customer contact by the sales force is one of the vital ingredients of the marketing mechanism in insurance companies. When compared to manufacturing companies, insurance companies have more customer contact which is illustrated in the following diagrams.

STATEMENT OF THE PROBLEM

Generally, the people's awareness to general insurance is very low in India. The same is true even in advanced countries like the U.S.A., the U.S.S.R., and Japan where people have understood the term insurance only in terms of life insurance. It is very difficult for the insurance company to convince the potential buyer to have a buying attitude towards the different kinds of general insurance. Comparing with life insurance,
general insurance sustains the problem of lack of awareness among the prospects and clients. Some people buy it only by the force of financing institutions and the government. The General Insurance Corporation of India has to create an awareness for its different products both in traditional and nontraditional business. Two special features are found in the sphere of marketing fire insurance - a traditional general insurance cover marketed by the GIC. First, there is a low probability of insurance claims, when compared to other classes of general insurance like marine, motor and miscellaneous items of general insurance. General insurance companies get lodged with fire claims rather occasionally. The second feature is about the attitude of the potential buyers to postpone or avoid fire insurance policies. Even the holders of the most hazardous assets skip fire insurance although they fully know that fire insurance is an essential shield to protect their properties in the course of running their business or social life.

It is the prime task of the GIC to sway the feelings of the fire policyholders and potential buyers that taking fire policy is a sheer waste. The GIC has to do spade work for the creative marketing rather than to go for catering the existing demand in fire insurance.
Since the fire claims are scanty in number, the GIC earns a commendable margin in fire folio as against other classes of general insurance. To illustrate, on the score of insurance premium, fire business contributes one third of the total premium collected by the general insurance companies. Thus, the distinct feature of fire insurance emerges a dire need for the policyholders through investigation on the elements of awareness for insurance, their attitudes towards efforts of the insurance company in reaching the clients and potential buyers of fire policies, cogency and infirmity of the internal and external forces in selling fire policies, problems confronted by both the general insurance companies and fire policyholders in preselling and after selling stages; and eventually fruitful suggestions for improving the fire insurance market. The lingering nature and the dawdling pace of the general insurance companies in making sales promotion through wide advertisement campaign in fire insurance, and the tapping of potential market are also to be pointed out and to give innuendoes to bolster up the sales promotional methods and materialise the hidden demand for fire insurance by creating proper need and awareness.
The aforesaid problems are to be investigated in Kamarajar District, the study area, a prominent zone for the most hazardous nature of business assets.

OBJECTIVES OF THE STUDY

The ambitious objectives set forth for the present research project are -

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

2. To enquire into the attitude of the policyholders towards the acquirement of fire policies in the study area.

3. To ascertain the views of fire policyholders on the services of general insurance companies towards selling fire insurance in the study area.

4. To investigate the role of banks and other financing institutions in the realm of fire insurance marketing.

5. To examine the strengths and weaknesses of internal and external marketing forces in selling fire insurance policies.

6. To probe into the problems encountered by the general insurance company in the area of fire insurance marketing.
7. To advance concrete suggestions for the betterment of fire business in the reference district.

SELECTION OF THE RESEARCH TOPIC

Fire insurance is a vital branch of general insurance and falls under traditional business. Compared with other types of business—both traditional and non-traditional, fire premium constitutes a major segment of the total premium agglomerated from the four subsidiaries of the General Insurance Corporation of India. The following table illustrates the average percentage share of fire insurance premium collected to the total premium received by the General Insurance Corporation of India (GIC) for a decade, i.e., 1976 to 1985.
<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of premium to total premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>36.57</td>
</tr>
<tr>
<td>1977</td>
<td>35.89</td>
</tr>
<tr>
<td>1978</td>
<td>35.13</td>
</tr>
<tr>
<td>1979</td>
<td>32.67</td>
</tr>
<tr>
<td>1980</td>
<td>32.64</td>
</tr>
<tr>
<td>1981</td>
<td>31.88</td>
</tr>
<tr>
<td>1982</td>
<td>29.51</td>
</tr>
<tr>
<td>1983</td>
<td>30.87</td>
</tr>
<tr>
<td>1984</td>
<td>30.00</td>
</tr>
<tr>
<td>1985</td>
<td>29.74</td>
</tr>
<tr>
<td>Total</td>
<td>324.90</td>
</tr>
</tbody>
</table>

Average = \( \frac{324.90}{10} = 32.49 \)

From the foregoing discussion, it is lucid that an appreciable portion of the total premium received by the four subsidiaries of the GIC, i.e., about 33% for the ten years period of 1976 to 1985 has been contributed solely by fire folio. The significance of it can
be understood by the average percentage of 32.48 when compared to the total insurance premium. The importance of fire business to other categories of general insurance in terms of net premium collected is depicted in Figure 2.

The study area, viz., Kamarajar District is situated in Tamilnadu State - a Southern State in Indian subcontinent. Kamarajar District is named after a great freedom fighter and national leader. Of course, nothing prevents the researcher, to take up the whole Tamilnadu State as the study area to investigate the marketing of fire insurance. But, the predominant idea behind the research is to investigate the problem in an area with industries possessing hazardous, highly hazardous, and non hazardous properties. Generally, the awareness of industrialists, traders and other public, who keep hazardous properties towards fire insurance will be greater than those who keep non-hazardous properties.

In the business map of Kamarajar District, there are a spate of industrial and trading firms with highly hazardous goods like cotton, safety matches, explosives, fireworks, paper, edible oil and a host of others. So, it is found that the district is an appropriate study area to investigate the insurance awareness of the target
NET PREMIUM INCOME ON FIRE AND OTHER INSURANCE
(IN CRORES OF RUPEES)

- Other insurances
  (marine, motor and non-traditional business)
- Fire insurance

Fig: 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Fire Insurance</th>
<th>Other Insurances</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>198</td>
<td>114</td>
</tr>
<tr>
<td>1977</td>
<td>209</td>
<td>117</td>
</tr>
<tr>
<td>1978</td>
<td>240</td>
<td>130</td>
</tr>
<tr>
<td>1979</td>
<td>268</td>
<td>130</td>
</tr>
<tr>
<td>1980</td>
<td>324</td>
<td>157</td>
</tr>
<tr>
<td>1981</td>
<td>408</td>
<td>191</td>
</tr>
<tr>
<td>1982</td>
<td>511</td>
<td>214</td>
</tr>
<tr>
<td>1983</td>
<td>609</td>
<td>272</td>
</tr>
<tr>
<td>1984</td>
<td>721</td>
<td>308</td>
</tr>
<tr>
<td>1985</td>
<td>836</td>
<td>354</td>
</tr>
</tbody>
</table>
population, which is a significant factor in the marketing of fire insurance. No other district in Tamilnadu, is endowed with such an unique possession of industrial and commercial firms dealing in most hazardous and hazardous goods. Kamarajar District is a well known region for small, medium and large scales of industries dealing in highly hazardous, hazardous and non-hazardous goods.

REVIEW OF RELATED LITERATURE

A noteworthy feature is that while very little research work has been done in the arena of marketing of insurance no work at all has been carried out in the sphere of marketing of fire insurance. First, Satpalsingh, an eminent educationalist, hailing from Uttar Pradesh, a State in north India completed his doctoral thesis captioned "Role of Insurance in the Development of India". His study focussed on certain economic aspects of Indian insurance, other than marketing.

Chockkalingam in his doctoral dissertation "Selling Cattle Insurance in India" has touched the marketing techniques adopted by the marketing agents, one of the vital links in the chain of general insurance marketing. He also obtained the views of the general insurance policyholders and examined the marketing of cattle
insurance service in India by limiting his study to four major blocks in Tamilnadu. His study sheds light on proving insurance frauds committed in the settlement of claims in cattle insurance policies. He took 100 cases of cattle insurance claims, and proved whether there was fraudulent filing and settlement of claims or not. He has also investigated the role of financing institutions in the marketing of cattle insurance by observation technique.

Unpublished research report submitted by R. Umamaheswaran to Madras University (1977) captioned "An empirical study of certain factors associated with success of LIC agents" sheds light on the psychological aspects behind the career of successful agents in the Life Insurance Corporation of India. And, no analysis has been made of the marketing of life insurance.

Another research report (researcher-anonymous) titled 'Insurable Interest' (1977) submitted to Madras University, focussed only on the legal aspect of insurance, and it spared nothing towards marketing line.

The research report submitted by P. Govindaraju to Madras University (1979) titled "Public Relations in Insurance Sector - Life Insurance Corporation of India - a Study" dealt at length the significance of public relations in the arena of life insurance.
The review of related literature stressed the dire need for a study on the marketing mechanism in general insurance which differs vastly from the marketing system in product marketing. The present research brings to limelight the various kinds of marketing strategies employed in fire insurance in the study area, and it is absolutely marketing based approach.

**OPERATIONAL DEFINITIONS**

**DEVELOPMENT OFFICERS**

Formerly designated as inspector, the development officers are the employees of the subsidiaries of the general insurance company having contact with the clients and potential buyers. Their annual pay rise and perquisites are subject to the target fixed by the general insurance company every year. They can appoint their agents to assist them in getting business. They are the members of development staff of the company.

**SURVEYORS**

Surveyor is appointed though a licence for a period of five years by the Controller of Insurance. The surveyor may be an individual or a firm/company satisfying the prescribed qualifications. He assesses the losses on different kinds of insurance, making spot visits and
gives report to the company on the loss. The settlement of claims depends on the report of the surveyor to a greater extent.

ASSISTANT ADMINISTRATIVE OFFICER (A.A.O)

The Assistant Administrative Officer cadre in the four general insurance companies may be classified into A.A.O. Administration and A.A.O. Development. An A.A.O. belonging to development cadre may be designated as Assistant Branch Manager and an A.A.O. Development is directly involved in marketing activity. He exercises a direct control over development officers and agents.

ADMINISTRATIVE OFFICER (AO)

It is an elevated post of A.A.O. which can also be classified into AO - Administration and AO-Development. An Administrative Officer in the development cadre may also be designated as Branch Manager. AO-Development is directly involved in marketing activity.

DIVISIONAL MANAGER

He is the second link in the direct marketing chain, controls the branch offices both in administration and development. His designation is Assistant Manager and he is called Divisional Manager when he steps into direct control of branch offices.
REGIONAL MANAGER

He is the first link in the direct marketing chain of the company. He keeps control of Divisions and involved in the settlement of huge claims filed. His designation is manager and is termed Regional Manager, when he comes to direct control of Divisions.

VOLUNTARILY TAKEN POLICIES

They are the various fire insurance policies taken out of the voluntary interest of the insured, created by their awareness to fire insurance.

FINANCE BACKED POLICIES

They are the fire policies taken by the policyholders on the compulsion of the financing institutions to safeguard their advances. The policies which are taken even before getting institutional finances, and endorsed to the banks by the general insurance company are excluded from this category.

PROSPECTIVE POLICYHOLDER OR POTENTIAL POLICYHOLDER

A person or firm/company with the capacity to insure and the insurable interest is called a prospective policyholder or potential policyholder. Generally, he must be approachable.
INSURANCE PERSONS

This term denotes the different categories of employees, as well as the agents of the general insurance companies.

GENEALOGICAL AND FRIENDSHIP COMMITMENT

This term is used to show the relationship between the insurance persons and the prospects and clients on genealogical and friendship basis.

HIGH LEVEL OFFICES

High level offices refer to Divisional, Regional and Head Offices of all the four subsidiaries of the General Insurance Corporation of India.

MARKETING EXECUTIVES

They are the Regional Manager, Divisional Manager, Branch manager, Assistant Branch Manager and Development Officers serving in either of the four subsidiaries of GIC, India.

RESEARCH DESIGN

By virtue of a mass of data obtained from survey research, as well as data from secondary sources collected and presented in the present research report,
'descriptive research' is considered the most appropriate for the study. Therefore, this study has been descriptive and analytical. The research problem, questionnaire and interview schedule are all framed accordingly. The suggestions offered in the final chapter of the present research report emerged from the inferences drawn from the census study of the development officers, and sample surveys of fire policyholders as well as banks.

SOURCES OF DATA

A. PRIMARY DATA

In order to fulfil the objectives set out, a census study of the development officers (numbering 42) was undertaken by sending mail questionnaires and got them duly filled in. Additionally, there were two sample surveys - one, a survey of the fire policyholders, and another a survey of commercial banks in Kamarajar District. A specially designed interview schedule for the fire insurance policyholders was framed and administered to 300 policyholders of varying nature based on the important aspects of ownership pattern, nature of business ventures undertaken and so forth.

In a similar fashion, another interview schedule was constructed for the financial institutions comprising
nationalised commercial banks and private commercial banks. The branch managers of the banks in the research area were contacted to focus on their role in assisting the general insurance companies in marketing fire insurance. Among several bank branches, a sample of 39 banks were chosen for the study.

A noteworthy feature is that all the 42 mail questionnaires sent to development officers were received, i.e., securing 100% response rate. This is by reason of high level of literacy of the development officers and the researcher's good rapport established with them. The structured questionnaires and schedules were extensively pretested. The specimens of questionnaire mailed to the development officers and schedules administered to the fire policyholders and financial institutions are shown in the Appendix section of the present research report.

Several rounds of discussions were held with knowledgeable persons in the field of general insurance such as Assistant General Manager, Regional Manager, Deputy Manager, Divisional Manager, resource persons of training centre, and bank managers for designing the questionnaire and interview schedules.
SECONDARY DATA

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

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

CONSTRUCTION OF INTERVIEW SCHEDULES AND QUESTIONNAIRE

The key aspects of the present research to be studied were identified from the preliminary interviews (pilot study) with some selected development officers, policyholders and banks. The questionnaire and schedules so drafted were circulated among some research scholars for a critical view with regard to wording, format, sequence and the like. They were redrafted on the light of their comments.
The questionnaire meant for the development officers was pretested with five development officers. Similarly, the interview schedule designed for the policyholders were pre-tested with 30 fire insurance policyholders. The interview schedule constructed for the financial institutions was also pretested with five bank managers. After pretesting, necessary modifications were made in the questionnaire and the interview schedules to fit in the track of the present study.

SAMPLING DESIGN

For purposes of primary data, three surveys were undertaken in the study area. First, a census study of all the development officers functioning in the six important towns in the study area, 42 in number were contacted by mail. They were contacted by mail with a view to ascertaining their role in marketing fire policies. The census study which began in the month of March, 1989, was completed in June, 1989. The details of the locations of all the development officers in the study area are exhibited in the following table.
TABLE II

DETAILS OF DEVELOPMENT OFFICERS WORKING IN FOUR SUBSIDIARIES OF G.I.C. IN THE STUDY AREA

<table>
<thead>
<tr>
<th>Name of the town</th>
<th>Name of General Insurance Company</th>
<th>Companywise total</th>
<th>Aggregate total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aruppukottai</td>
<td>United India</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Rajapalayam</td>
<td>United India</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>New India</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oriental</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National</td>
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<td>13</td>
</tr>
<tr>
<td>Sattur</td>
<td>United India</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>New India</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Sivakasi</td>
<td>United India</td>
<td>4</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>New India</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oriental</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Virudhunagar</td>
<td>United India</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Oriental</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>New India</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>National</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>42</strong></td>
<td><strong>42</strong></td>
</tr>
</tbody>
</table>

Note: Since there is no branch of the four subsidiaries of the GIC in Srivilliputhur town, the marketing activities of it are managed by the branches of subsidiaries at Rajapalayam and Sivakasi towns.
SAMPLE SURVEYS

Two sample surveys were conducted (i) Survey of fire policyholders (ii) Survey of financial institutions (banks).

1. SAMPLE SURVEY OF POLICYHOLDERS

A sample survey of 300 fire policyholders were conducted for the period from July, 1989 to November, 1989 in order to find out the attitudes and perceptions of the fire policyholders towards four general insurance companies.

Area sampling was made use of for the selection of 300 policyholders. Samples 50 in number were selected from each of the six important towns in Kamarajar District. In active consultation with the development officers in each town, these 50 samples were chosen so as to be representative in character, i.e., these 50 samples will manifest a happy blend of different categories of policyholders - such as large, medium and small policyholders, as well as the holding of policies based on ownership pattern of the respondents, such as company form of organisation, partnership and sole proprietorship.

The sampling frame for the selection of 50 policyholders in each town was purely based on the policyholders' list
provided by the development officers. The geographical distribution of sample policyholders is exhibited in the following table.

TABLE III

GEOGRAPHICAL DISTRIBUTION OF SAMPLE POLICYHOLDERS IN THE STUDY AREA

<table>
<thead>
<tr>
<th>Name of the town</th>
<th>Size of the Universe (N)</th>
<th>Size of the sample (n)</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aruppukottai</td>
<td>1,346</td>
<td>50</td>
<td>I</td>
</tr>
<tr>
<td>Rajapalayam</td>
<td>6,412</td>
<td>50</td>
<td>II</td>
</tr>
<tr>
<td>Sattur</td>
<td>5,799</td>
<td>50</td>
<td>III</td>
</tr>
<tr>
<td>Sivakasi</td>
<td>10,406</td>
<td>50</td>
<td>IV</td>
</tr>
<tr>
<td>Srivilliputtur</td>
<td>1,410</td>
<td>50</td>
<td>V</td>
</tr>
<tr>
<td>Virudhunagar</td>
<td>3,674</td>
<td>50</td>
<td>VI</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29,047</strong></td>
<td><strong>300</strong></td>
<td></td>
</tr>
</tbody>
</table>

As the size of the universe was found to be fairly large, it was thought fit that a sample size of 300 would be feasible for a scientific study.
2. SAMPLE SURVEY OF BANKERS

Yet another sample survey of bank branch manager in the study area was conducted during the period of December, 1989 to January, 1990. The sample survey was undertaken to collect survey data pertaining to bankers' role in the sphere of fire insurance in Kamarajar District. As the pilot study pinpoints that most of the fire policies, marketed in the study area were with bank clause, a dire need arose to conduct a separate survey of sample branch bank managers. The survey covered 39 bank managers from the universe of 77 units, i.e., say a little over 50% of the universe. The selection of the sample units (bank manager) was based on the following important criteria:

(a) Bank branches were selected to represent all the classes of banks in the study area, it means, during the survey, the bank branches in the study area were classified into three such as - (i) Scale I branch, i.e., large banks (ii) Scale II branch standing for medium, and (iii) Scale III branch represents small branches. The grades are fixed on the basis of the volume of bank transactions.
(b) Besides, banks that were found to be highly co-operative in giving responses to the researcher were given importance for the selection of samples. Quota sampling technique was adopted for the selection of bank branches. The selection of sample banks both sizewise geographicalwise is exhibited in the table furnished below.

**TABLE IV**

SIZEWISE AND AREAWISE DISTRIBUTION OF BANK BRANCHES

<table>
<thead>
<tr>
<th>Size</th>
<th>Number of banks</th>
<th>Selection of samples</th>
<th>Name of the town</th>
<th>No. of Selection banks of samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>33</td>
<td>16</td>
<td>Aruppukottai</td>
<td>7</td>
</tr>
<tr>
<td>Medium</td>
<td>29</td>
<td>13</td>
<td>Sattur</td>
<td>12</td>
</tr>
<tr>
<td>Small</td>
<td>15</td>
<td>10</td>
<td>Sivakasi</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Srivilliputtur</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rajapalayam</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Virudhunagar</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total</th>
<th>77</th>
<th>39</th>
<th>Total</th>
<th>77</th>
</tr>
</thead>
</table>
DATA PROCESSING

After completing the collection of primary data through questionnaire and schedules, they were edited and duly computerised.

COVERAGE OF PERIOD

The secondary data collected from the records kept at the various offices of the four subsidiaries of the General Insurance Corporation of India, in the study area, were related to a period of three years, namely, from 1987 to 1989.

PROBLEMS AND LIMITATIONS OF THE STUDY

Every study suffers from errors and limitations while some of these are inherent in the research design, some others become part of the study during various stages of operation.

1. The main limitation of the study relates to the qualitative nature of several responses which were analysed on the basis of scoring or ranking accorded by the study participants. The result is limited to the reliability of the respondents' rating made by the three categories of informants, namely, development officers, fire policyholders and bankers in the study area.
2. Certain policyholders selected for the administration of interview schedule were reluctant to give response, fearing that giving response for the scheduled questions will land them into difficulties in their submission of income tax returns.

3. The limitations and bias that would have crept in the sampling techniques might influence the findings of the study. Among the 300 sample policyholders selected on uniform representation, i.e., 50 samples were chosen from the universe in each community block or division in the study area, irrespective of the commercial significance of such divisions and the volume of fire business transacted by the insurance company. In regard to the sample survey of bankers, the samples were selected according to the volume of business transacted by, and not the quality of the sample units like education and years of experience of the bankers formed the criteria for the selection of sample banks.

4. It was contemplated to conduct a census study of commercial banks in the study area, to examine their role in fire insurance marketing. As the branches of the same banks were found functioning in certain other towns, some of such branches of the banks were omitted from being interviewed. Therefore, rather than resorting
to a census study of all the bank branches in Kamarajar District, namely, 77 in number, 39 sample bank managers were contacted for the study.

SCHEME OF RESEARCH REPORT

The present study captioned "An investigation of the Marketing of Fire Insurance Service in Kamarajar District" has branched off into ten chapters. The present chapter indentifies and states the problem of the study by providing an overview of the marketing forces and the fire policyholders, how they get interacted with the need and the supply of different fire products. It gives a vivid account on the research design encompassing objectives of the study, operational definitions of the concepts, survey of literature, methodology and tools employed, construction of interview schedule, sampling design, data processing and organisation of the report.

Chapter II entitled "Product Profile" presents a vivid picture of the basic concept of fire insurance, the different kinds of fire policies including the policies with special clauses, the conditions and warranties of the policy and the claim procedures in general.
Chapter III titled "Economic Scenario of the Study Area" deals with the economic profile of the study area. It discusses the structure of the district with industrial growth and banking and other institutional finance facilities, and also the number of general insurance company's branches venturing in marketing fire insurance.

Chapter IV captioned "Analysis of Fire Insurance Market in the Study Area" evaluated the quantitative performance of all the four subsidiaries of the GIC in the study area in the marketing of different fire policies.

Chapter V christened "Internal Sales force - Development Officers" spells out the constitutional structure of the development officers, the strategies adopted in canvassing fire policies, their views on the policyholders' awareness to insurance, changing the patronage, after-sales service and the nature of assistance they receive from the other marketing executives.

Chapter VI captioned "Fire Policyholders" is designed to examine the sample fire policyholders' extent of awareness to and knowledge in fire insurance, the kind of patronage they cherish to the general insurance company, dissatisfaction sustained by them in after-sales
Chapter VII titled "Role of Agents in Fire Insurance Marketing" is devoted to analyse the part played by the agents in fire insurance marketing, the strength and weakness of the agency system in marketing fire policies in the study area, and so forth.

In Chapter VIII captioned "Financial Institutions" the role of financial institutions in marketing fire policies in the study area, the bankers' level of knowledge in fire insurance, type of patronage in procuring fire policies on behalf of their clients, opinion on the service rendered by the company in the pre and after-sales stages are dealt at length.

Chapter IX under the title "Problems in the Marketing of Fire Insurance" enquires into the problems encountered by the development officers, agents and the insurance companies in the study area.

Chapter X brings the research report to a logical conclusion by highlighting the summary of the survey findings with a view to obtaining answer to the problem posed in the statement of the present research problem and by providing valuable suggestions to the future
dimensions of marketing fire insurance in the study area, namely, Kamarajar District in Tamilnadu State (India).