CHAPTER - I

INTRODUCTION AND RESEARCH DESIGN
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1.1 Introduction

Insurance plays an important role in sharing the risks of people in an affordable form. It helps the people to quickly recover from damages and losses. Insurance is a defensive measure used against future conditional losses to hedge the possible risks of the future. It is a legal contract that protects a person from contingent risk of losses through financial means and provides a means for individuals and societies to handle some of the risks faced in daily life. These contracts of insurance are called policies and are provided by insurance companies. The Insurance companies charge a regular amount from the customers, who are paid back, either in part, or entirety, to the customers in case of a definite loss. This regular amount charged from customers is called Insurance Premium.

1.2 Doctrines of Insurance

There should be a certain definite loss taken place at a known time, in a known place and from a known cause. Therefore the time, place and the cause of loss should be clear enough. The incident that represents the cause of the claim should be accidental or beyond the control of the beneficiary. The size of the loss must be significant from the perspective of the insured. Insurance premiums should cover both the estimated cost of losses, plus the cost of policy, regulating the losses, and

1 www.ezinearticles.com
providing the principal required to logically assure that the insurer would be able to reimburse claims. The amount of premium should be affordable. The possibility of loss and the cost of compensation should be calculable or estimable.

1.3 Importance of the Study

Life insurance policy insures the life of the insured. The insurance company is legally bound to provide a monetary benefit to a decedent's family or the beneficiary after the death of the policyholder. The proceeds are paid to the beneficiary either in a lump sum amount or an annuity. Medical insurance is also called mediclaim. Under this policy, the insurance policy pays the amount to the insured for his health purpose. This amount covers the cost of medical treatment.

Motor insurance compensates the loss or damage occurred to the vehicle. But in the United States, auto insurance policy is essential to legally operate a vehicle on public roads. Business insurance protects the businesses against risks of losses and damages and compensates in case of loss.

Property insurance protects the property against the risks like fire, theft etc. This category also includes fire insurance, flood insurance, earthquake insurance etc. Fire insurance is an insurance covering the damage to the property caused by fire. Flood insurance pays the policy holder in case of any loss or damage to the property due to flood. It protects the property against the flood. Earthquake insurance compensates any damage to the property caused by earthquake.

The core benefit of life insurance is that the financial interests of one’s family remain protected from circumstances such as loss of income due to critical illness or
death of the policyholder. Simultaneously, insurance products also have a strong inbuilt wealth creation proposition. The customer is therefore benefited on two counts and life insurance occupies a unique space in the landscape of investment options available to a customer. Each of us has some goals in life for which people need to save. For a young, newly married couple, it could be buying a house. Once, they decide to start a family, the goal changes to planning for the education or marriage of their children. As one grows older, planning for one's retirement will begin to take precedence. Life insurance is the only investment option that offers specific products tailor made for different life stages. It thus ensures that the benefits offered to the customer reflect the needs of the customer at that particular life stage, and hence ensures that the financial goals of that life stage are met.

The Asia – Pacific insurance market has seen excellent growth during the recent years, especially in developing countries like India, South Korea, and China etc. The high population, low penetration levels etc. have attracted global players.

<table>
<thead>
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<th>Year</th>
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<td>4.40</td>
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<tr>
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<tr>
<td>CACR 2004 – 2009</td>
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Source: Data Monitor
1.4 Indian Concept of Broking

Broking \(^2\) is not a new concept. In West Asia, companies run by non-resident Indians go to brokers. It is not as though it is an alien concept or unusual thing to do. It's quite the other way in India. Insurance is being purchased just on the basis of price and nothing else. People really don't know half the time why they are buying. In developed countries, many brokers will work for free when it comes to big business. There is still commission paid in many parts of the world. But for bigger blocks of business, like aircraft insurance, which is complex and very risky, the broker giving professional advice can be sued if proved that he had given wrong advice either to the customer or to the insurer. There are some cases against brokers already in the insurance market. It is a matter of contractual rights and obligations. The broker represents the customer, and if he gives incorrect or wrong advice, he is held responsible and the broker has to take insurance against those risks. If the insurance is badly put together, you have the right to sue your broker.

The IRDA regulations are quite clear on the brokers' responsibilities. There are many cases of brokers being sued in all sorts of jurisdiction. In addition to fully understanding the business and benefits environment in an emerging country, multinational companies must determine how they want to be competitively positioned against other firms. To optimally position themselves, they must take a holistic approach to remuneration. The key to success is striking the precise balance between insurers and the brokers. The Authority is of the considered view that further

licensing of Composite Brokers be stopped. Those that have been issued licenses may be asked to apply separately for licensees for direct and reinsurance broking at renewal. There would be two legal entities with separate responsibilities and accountability norms.

1.5 Statement of Problem

While insurance is a price competitive arena, trust and customer service play huge roles in attracting and retaining customers. Excellent customer service is the key to gaining new customers and customer retention. Recognizing their inability to develop truly proprietary products in the fast-moving global environment, many Insurers are migrating towards the supply of services to generate growth. This is a shortsighted strategy. “Services” are knowledge intensive and typically local. This type of business is usually subject to intense local competition and cannot easily be scaled up for consistent revenue growth and profit margins.

India has a vast potential that is waiting to be tapped and this could be achieved when sufficient competition is generated and it is exposed to the developments in the rest of the world. The insurance sector was, therefore, opened up for private sector participation with provision for limited foreign equity exposure. People have now seven years experience of the public and private sector operating together in the market. Insurers are attempting growth through system integration and service offerings which put them into direct competition with some of their best customers – the local system integrators. It is true that the manufacturer has the

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3 Shri Jagendra Kumar, Corporate Head (Trg.), Shriram General Insurance Co. Ltd., Jaipur., The Journal of Insurance, Jan-June, 2008, p.33
advantage of additional margins and proprietary product applications knowledge — but the integrator has the advantage of being local and can often defect to competitors’ products.

With aging technology, many products are becoming commodities - available from several sources with marginally different features and benefits. At this stage, the lowest cost producer usually wins. In a global market, requirements change quickly, margins shrink and remotely based suppliers lose market-share. Today, lots of products have melted away through rapid and widespread dissemination of the information in the global arena. Practical knowledge that produces need based quality products at low cost has now become a commodity - everyone knows how to do it. In many cases, the western world chased cheap products in the Far East and educated the locals with their knowledge.

The contours of insurance business have been changing across the globe and the ripple effects of the same can be observed in the domestic markets as well. An evolving insurance sector is of vital importance for economic growth. While encouraging savings habit it also provides a safety net to both enterprises and individuals.

The insurance industry also provides crucial financial intermediation services, transferring funds from the insured to capital investment, which is critical for continued economic expansion and growth, simultaneously generating long-term funds for infrastructure development. In fact investments in infrastructure are ideal

\[4\] IRDA Annual Report, 2006-07, p.61
for asset-liability matching for life insurance companies given their long term liability profile.

Development of the insurance sector is necessary to support the structural changes in the economy. Social security and pension reforms too benefit from a mature insurance industry. The insurance sector in India, which was opened-up for private participation in the year 1999, has completed seven years in a liberalized environment. Since the opening up of the insurance sector in 1999, 24 private companies have been granted licenses by 31st March, 2007 to conduct business in life and general insurance. Of the 24, 15 were in the life insurance and nine (including a standalone health insurance company) in general insurance. During the last seven years capital amounting to Rs.9625.28 crore was brought in by the private players, of which the contribution of the foreign partners has been Rs.2174.28 crore. During this period, the average annual growth of first year premium in the life segment worked out to 47.06 percent and in the non-life segment it was 16.87 percent. The industry services the largest number of life insurance policies in the world. Yet Indian insurance industry has scope to further expansion with a large untapped potential. The Authority and the industry have been playing an active role in increasing consumer awareness.

Insurance companies in general and private insurance companies in particular, are reaching out to untapped semi-urban and rural areas through advertisement campaigns and by offering products suitable to meet the specific needs of the people
in these segments. The insurers are increasingly introducing innovative products to meet the specific needs of the prospective policyholders.

Innovative products, imaginative marketing, and aggressive distribution enabled fledging private insurance companies to sign up Indian customers' faster belying expectations at the time of opening up of the sector. At the time of opening up of the sector, life insurance was viewed as a tax saving device. Of late, policyholders' perspective is slowly changing towards taking insurance cover irrespective of tax incentives. The insurable populace is looking for products which suit their specific requirements. As of now a variety of choices are available in the market meeting the requirements of different cross-sections of the society and across age groups. The major problems of insurance industries are as follows:

- Stiff competition & ruthless/ aggressive marketing
- Market behavior can affect solvency of the insurers
- Change of mindset of all involved in insurance market
- Adapting to the new business environment & working with intermediaries
- Pricing befitting to survival in the market
- Product innovation to suit market requirement
- Reduction of response time
- Remaining competitive- especially in profit making segments
- Consistent data capturing on multiple parameters & data accuracy
- Regular data transfer to corporate office to form data base
- Appreciation of underwriting factors and information
• Study the company guidelines

• Inspection of all important risks for correct risk analysis

• Competitive pricing in the post detariffing regime

For better management of investment portfolios, prudential investment norms have been notified to further enhance the financial flexibility and risk management ability of the insurers. It is believed that prudent investment management becomes increasingly critical to insurers in maintaining stability in their operations due to globalization.

Design and rating of products must always be on sound and prudent underwriting basis. The contingencies insured under the product should be clear and provide transparent cover which is of value to the insured. Prudent underwriting means that the insurer should only offer insurance of risks that are quantifiable and manageable and where the premium can be properly assessed. The cover should be clearly defined and should provide cover that is of value to the person insured.

All literature relating to the product should be in simple language and easily understandable to the public at large. As far as possible, a similar sequence of presentation may be followed. All technical terms should be clarified in simple language for the benefit of the insured. There should be no effort to mislead the reader to assume that the product is offering protection that it really does not, or that it offers subject to limitations and conditions that are not easily apparent.

The product should be a genuine insurance product of an insurable risk with a real risk transfer, alternative risk transfer or financial guarantee. Business in any form
will not be accepted. Insurers are not expected to offer financial guarantees or other contracts that are called insurance but are in fact, lending arrangements. Insurances which guarantee the financial performance of the person insured are not permitted. Invariably, the event insured should be an unforeseen occurrence not under control of the insured. Any indirect insurance products such as insurance derivatives will not be permitted.

The insurance product should comply with all the requirements of the Protection of Policyholders Interests Regulations, 2002. In case of some personal lines products such as health insurance, there should be provision to inform the policyholder well in advance of expiry date (say, at least 15 days) if his insurance is not to be renewed. In respect of products planned to be sold through tele-marketing or e-selling or as an added benefit with other transactions, particular attention should be paid to the safeguards to be taken to prevent improper selling practices.

Insurers should use as far as possible, similar wordings for describing the same cover or the same requirement across all their products. For example clauses on renewal of insurance, basis of insurance, due diligence, cancellation, arbitration etc., should have similar wordings across all products. Wordings should be in simple language that is easy to follow. Where renewal is not automatic in a class of business where there is an expectation of continuity such as health insurance, the prospectus should clearly say so. Cancellation by the insurer should only be allowed with sufficient period of notice (at least 15 days) so that the policyholder will have enough time to find alternative insurance cover. Cancellation in a class of insurance like
health insurance should be made subject to proper justification. Cancellation should not be allowed just because the insured made a claim. The policy should provide simple disputes, resolution procedures and also state in simple language the process of arbitration of disputes.

The pricing of products should be based on appropriate data and with technical justification, where the proposed schedules of rates are derived from an existing schedule of rates.

As the general insurance market gears itself up to the new detariffied, free-pricing regime that took effect in January 2007, consumers expect premium rates to nosedive and stabilise in three years. A nationwide survey by FICCI reveals that brokers as intermediaries are still not wholly acceptable for the corporate or individual clients in India. While 80 percent of the respondents give two-three years for the market to stabilize, big majorities (92 percent) prefer to deal with insurance companies directly and 60 percent opt for companies for expert advice rather than insurance brokers. This fact has been noted by the Insurance Regulatory & Development Authority, which is framing new guidelines for brokers. Unhealthy competition in the market has also affected the professional image of brokers.

Most of the brokers still do not have professional expertise and their ostrich-like attitudes of not owning up their deficiencies in their mindset and the poor morale of the staff would act as huge barriers to their perceived strategic strengths at the market place. Post-free pricing markets would need expert advisory services which can be provided by brokers. However, 60 percent of respondents would like to deal
with the insurance company directly rather than dealing with the brokers and only 40 percent would prefer to deal with brokers for expert advice post-free pricing. Indian customers feel that insurance companies pay brokers a lot of money to place insurance with them and customers do not always get the service they deserve.

A good broker should deliver much more than a spreadsheet once a year. Value-added services may include newsletters, wellness magazines, customer satisfaction surveys, benefit statements, and assistance with claim follow up. Customers want the broker to deliver these extra services. A good staff is critical in the day-to-day operation of benefit plans and they can make or break the employees' perception of the program. Broker should be competent with back up to solve a critical problem. Small and mid-sized companies often become lost within national brokerage houses and may receive a higher level of service from a small regional broker. Conversely, a company that has grown very rapidly might outgrow their original broker and require the services of a larger firm help to evaluate their program.

An average-size account is more likely to get preferential treatment from a small regional broker than a large national one. There are advantages of being a big fish in a small pond. Any broker can solicit bids and place insurance. Customers look for someone who provides new ideas and multiple solutions to their benefit problems. Basic rate/benefit comparisons will not cut it anymore. They look for a broker who provides a lot of options like self funding and managed-care alternatives. A broker who recommends an insurance company who subsequently fails or doesn't deliver as
expected, a lawsuit may follow. It makes good business sense to deal with a broker who is not only aware of the company’s financial health, but also smart enough to have liability coverage should it ever be needed. It is not customer’s job to “train” someone who lacks the experience to properly handle his account.

1.6 Indian Insurance Industry

With large population and untapped market, insurance is a big opportunity in India. The insurance business (measured in the context of first year premium) registered an impressive growth of 94.96 percent in 2006-07, surpassing the growth of 47.94 percent achieved in 2005-06. This has resulted in increasing insurance penetration in the country. Insurance penetration or premium volume as a ratio of GDP, for the year 2006 stood at 4.1 percent for life insurance and 0.60 percent for non-life insurance. The level of penetration, particularly in life insurance, tends to rise as income levels increase. India, with its huge middle class households, has exhibited growth potential for the insurance industry.

Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance market in India has witnessed dynamic changes including presence of a number of insurers in both life and non-life segment. Most of the private insurance companies are joint ventures with recognized foreign players across the globe. Consumer awareness has improved. Competition has brought more products and improved the customer

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5 IRDA Annual Report, 2006-07, p.63
service. It has a positive impact on the economy in terms of income generation and employment opportunities in the sector.

Everyone wants to retain existing customers. A few companies, however, are implementing positive strategies aimed at retention. Most companies are organized for acquisition. Their advertising and sales programs are designed to find and promote their products and services to new customers. The companies are organized on a product or brand basis, not on a customer segment basis. While they all have customer service departments, and most have a customer service toll free number, they lack an integrated marketing strategy that is directed at retention, and that defines retention as the measurement of success. It has been found that customer retention has more impact on profits than market share, economies of scale and other variables that are considered to provide competitive advantage to a firm. In fact, it has been found that companies, which reduced customer defections by 5 per cent, could boost profits from 25 percent to 85 percent. Traditionally, marketing management has relied on permutations and combinations of the marketing mix elements (product, price, place and promotion) to achieve market dominance through enhanced market share by acquiring new customers. This approach considers the formation of homogenous segments of relatively heterogeneous customers. It does not take into account the history of association between the customer and the seller and hence does not reveal the actual buying behaviour of the customer.

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Aggressive branding and promotions are other tactics used by sellers adopting the traditional marketing approach. But brands with the highest market share are not always the most profitable. In some cases, they may even be unprofitable. The relationship marketing approach on the other hand, focuses on customer retention, encouraging increased spends and on long-term relationships with customers. Every company knows that it costs far less to hold on to a customer than to acquire a new one. That's why customer retention has become the Holy Grail in industries from airlines to wireless.

Customer retention is at the heart of any relationship marketing effort. The efforts of the seller are directed towards creating new and sustained benefits on a sustained basis, which ultimately leads to a deepening of the relationship. This makes undeniable sense – while exact numbers may vary, experts do agree that the cost of retaining a customer is a fraction of acquiring a new one. This basically means that a small improvement in customer retention results in a much higher improvement in profitability. For this reason, relationship marketing is also sometimes referred to as defensive marketing – because it aims to defend existing clients from being poached by competitors, rather than aggressively hunt for new ones.

Customer Retention marketing is a process whereby marketers look at building a long term association with their customers. It is a tactically-driven approach based on customer behaviour and the core activity going on behind the scenes in Relationship Marketing, Loyalty Marketing, Database Marketing, Permission marketing, and so forth. This involves a continuous process of interaction,
which is influenced by the stage of the life cycle in which the customer is at any point in time. Thus, practitioners of retention or relationship marketing need to understand the needs of their customers at different stages and provide products and services accordingly.

1.7 Nature of Insurance Business

The nature of insurance business is such that legal standards alone are not sufficient to encourage professionalism in the industry. It is more a matter of ethical conduct and mindset and self-regulation at the level of brokers themselves that can bring in higher professional standards. It has to be self-motivated. This is unlikely to happen. The only deterrent against unethical conduct is a monitoring mechanism to ensure that breaches are detected quickly and the levels of punishment imposed severe. The insurers are able to manage the high expectations of the consumers and the brokers by their professional expertise and ethical conduct. As of now, none of the stakeholders has displayed any initiative to respond to enhancing the demands for higher professional and ethical standard is disappointing.

1.8 Agents Personal Development

Agents like every other individual do have personal goals and ambitions for example, to achieve some senior position in the company. An agent also aims to establish good reputation in the society and is willing to accept higher responsibilities and challenges of the institution. All such personal objectives and benefits in terms of self interests and the interests of the company need to balanced, with the interests of
the customers, so as to have meaningful and long lasting result oriented impact on business and growth.

An agent has to sell himself before selling his product of life insurance. This is due to the intangible nature of the products and its long-term commitment. So trust and belief in the customer is to be created for buying this product, which also needs to be sustained and continued in future too.

A customer buys because he trusts the agent and his promise. So agent need to adopt a positive and helping attitude so as not to let down the expectations of the customer. An agent need to be enthusiastic, optimistic, convincing, and committed. With such high standards in these traits, an insurance agent can face the present market competition confidently.

As an individual professional, an agent cannot depend on any other person or external support to stand by him. He needs to be self motivated to perform and show results. His actions must be self oriented, result based with beneficial impacts. Sense of professionalism and independence is born with positive thoughts and positive behavior. Motivation can vary but must not end in non-performance.

Communication and presentation skills are critical in marketing particularly in life insurance due to nature of its product, which is only a ‘promise’. Communication is the process of transfer of information from sender to the receiver through various modes conveying the meaning and purpose.

An agent has to understand his customer and his needs, then communicate with him at horizontal platform. It needs to be effective and meaningful and palatable
to customer. It should neither be confusing or incomplete nor suppressive or misleading. It must not lead to any misunderstanding. The common seven Cs of an effective communication like: Completeness, Correctness, Courtesy, Conciseness and Consideration need to be followed strictly.

Persuasion is of course, important but most difficult in insurance selling. Our intangible promissory product needs authenticity and confirmation time and again. The customer needs to be regularly counseled and persuaded till his behavior and mind calls for his decision. This can be achieved through calls, meetings, discussions, explanations, presentations, clarifications and regular follow up. The prospect cannot be ordered, rushed, ignored, compelled or interrupted. His objections need to be welcomed, doubts cleared, feelings respected, time valued and lastly "yes- but No" technique to be suitably adopted.

It may not be that a standard popular insurance policy shall meet all the requirements of all the customers for all the time. Sometimes, a multipurpose cover can be appropriate. But right approach is to understand the needs of the customer, after collecting relevant information, logically analyze them and reasonably come up with the most suited cover at competitive price to address the majority of his needs. A check list type of questions and critical analysis of risk for underwriting need to be developed.

Adequate product knowledge is most important in present day competitive world. An agent needs to be well conversant and updated with his product knowledge besides premium ratings, terms and conditions, policy clauses etc.. An agent is also
expected to know the drawbacks and implications of the product and plan. Having
good knowledge of all the products of his particular insurance company is equally
important to be a successful agent.

As a true businessman, an agent must have his sales target, premium target,
commission income target, revenue target and finally profit target to serve the
purpose of himself, company, project and customer. Over a period of time, clients
need to be added up and volume of business increased, so as to achieve the set goals
and develop business objectives.

Every salesman has to manage himself and his business. A record of all his
business and business related activities are to be properly maintained with its
adequate safety and security. Record keeping and book keeping procedure are to be
followed as per set norms and more conveniently erecting a computerized back up for
this data. All such record and data need to be periodically reviewed and analyzed for
making it more meaningful and getting best benefits out of it.

An insurance agent having specialized knowledge is a master businessman.
As a professional, he has to watch the interests of his customers at the cost of his
personal interests and gains. There must be no conflict and clash between these two
parameters. Customer has right to know about the product and service, right to choose
and select but his interests must always be above all. Also, both company and the
agent are to protect the interest of their policy holders as per the law.

An agent has to strive for building long-term relationship with his customers
for survival and sustainability in the market. It can be mainly achieved by making the
customers feel important, recognized, through a caring and helping attitude, courteous behaviour etc. Listening and understanding the customer is important and the concept of “your customer is always right” is most important for building long term relationship.

An agent has to depend on the employees of the company to have proper back up for rendering satisfactory service to his clients. Due to intrusive nature and indifferent attitude of some of the employees, minor difference may arise which adversely affect the performance and output of an agent. Sometimes systems and procedures are also inflexible, which indirectly affect the outcome of agents. Positive attitude, realizing the nature of employees, understanding their problems and talking these issues positively, leads to their solutions rather than their aggravation. Persuasion, patience and timely intervention help in addressing all such issues. Personality clashes with fellow agents and professional competitiveness also need to be avoided thereby minimizing misunderstanding and unhealthy competition. Professional etiquette and ethics need to be maintained.

The agent before offering any products must know his clients well enough. He must have the knowledge about the state of client’s personal habits, health, occupation, financial position and income, moral character, his family history and all other related aspects which help in field underwriting of a case. After accumulating the needed data/information, if the life is apparently found insurable, only in such a case, proposal should be procured. An agent has a long-term stake in the health of an insurance organization, therefore he must canvas and procure only such business,
which has a reasonable chance of staying in the books of the insurer. Neither early claim nor lapsation of a policy helps an agent to build a sizable portfolio for his stable income and professional standing. Thus, the agents should offer to their clients only such products that are not only suited to their needs but also are financially viable for them.

In the present age of information, explosion, competition and the service industry like LIC, Insurance companies cannot survive without an action based philosophy of excellence after sales service. After sales service in an insurance industry includes collection of premia, revival / reinstatement of paid up / lapsed policies, nomination and assignment, grant of loan, payment of survival benefits, settlement of surrender value, alteration and finally the settlement of claims (death or maturity) under a policy and an agent can render invaluable help to his clients in these areas.

If the agents fail to provide these after sales service, the policy holders who lack either in resource or time or needed know-how, feel disenchanted and consequently their faith in the organization gets eroded and this in turn may increase the likelihood of discontinuance of their policy, such a situation not only creates a bad image of the organization making it difficult to procure further business from such a section of policyholder but it also implies irreparable loss to the agent and the organization.

If the agents are well conversant with the claim settlement procedure and assist the claimants in completing the necessary requirements, it would not only
quicken the process of claim settlement and enhance their professional status but also help the organization to improve upon their outstanding claim ratio. Boosting the image of the organization may provide them an overflowing fountain for further business in those families.

Such sales are affected either to complete the quota for renewal of agency or to achieve top business targets with various considerations. Of late, this unhealthy practice has shown a sharp rising trend as confirmed by high ratios of lapsation in the mean duration of one year. Obviously, such sales cannot be financially beneficial to agents but certainly put the corporation to financial loss.

1.9 Scope of the Study

The three words Liberalization, Globalization and Privatization have brought about a radical change in the world and have given a new orientation to the market conditions. The participation in the new system is not optional; it is an essential requirement of the developments. The LIC agents have to diversify their activities to meet the complex needs of the customers. Spreading of education, economic activities and social consciousness have made the job of LIC agents more challenging and complex. The old techniques of selling will not help them. They have to adopt latest marketing strategies (i.e. Psycho marketing strategies). It is an unending process for capitalizing the opportunities and avoiding threats arising out of the changing economic situation and consumer awareness.

More companies today are moving their effort from Transaction Marketing to Relationship Marketing for the development of long-term customer relationship. The
agents, therefore, have to adopt, relationship marketing as against the present transaction selling. The term Relationship Marketing means nothing but the time honored after sales services tempered with marketing approach and total consumer creativity responsiveness and trust. The performance of agents who will now depend on not how many hours he works but the quality of service, his attitude to customers and the image that he will create for the entire life insurance business. Thus the agent under the changing economic scenario can achieve their objectives by practicing psycho-marketing strategies. Their objectives are survival and growth. Maximization of business is an end to achieve these objectives.

1.10 Objectives

The following are the prime objectives of the study

1. To document the concept and growth of insurance with special reference to Life Insurance

2. To identify various types of life insurance policies marketed with reference to Life Insurance Corporation of India

3. To analyze the role of agents in delivering better services to policyholders

4. To identify the satisfaction level of policyholders on various insurance products

5. To find out the opinion of policyholders on the services rendered by agents

6. To suggest measures to improve the efficiency of agents and to increase the level of satisfaction of policyholders.
1.11 Hypotheses

The following hypotheses are framed and tested in this study.

1. Type of agency does not differ with regard to the area of residence of agents.
2. Educational qualification of the agents does not significantly differ between public and private agents.
3. Annual income of agents does not significantly differ between public and private agents.
4. Experience of the agents does not significantly differ between public and private agents.
5. Sex of the policyholder does not significantly differ with regard to the area of residence.
6. Number of member in the policyholder’s family does not significantly differ with regard to the area.
7. Annual income of the policyholder does not significantly differ with regard to the area of residence.

1.12 Methodology

The study analyses the role and importance of LIC and its various services rendered to policyholders. The role of agents in delivering services to policyholders is analyzed. The opinion and level of satisfaction of policyholders are studied. This is an extensive analytical study.

The study requires both primary and secondary data. Secondary data are collected from records of insurance companies, Insurance Regulatory Authority of
India, Life Insurance Corporation of India, Journals and magazines. Books and periodicals are also utilized for the purpose of secondary data. Primary data are collected from the sample agents and sample policyholders with the use of interview schedule.

1.13 Sample

1.13.1 Sample Size for Agents

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<th>Type</th>
<th>Total agents in the district</th>
<th>Sample taken</th>
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<td>120</td>
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<td>Private Agents (LIC only)</td>
<td>618</td>
<td>20% i.e. 124</td>
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<td>1311</td>
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Records of Agents federation

1.14.2 Sample for Policyholders

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<th>Type</th>
<th>Number of places (Divisions)</th>
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<td>Semi-urban</td>
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</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>360</td>
<td>300</td>
</tr>
</tbody>
</table>
1.14 Statistical Tools Used

The study is an analytical study and emphasis is given to identify the method of marketing of policies by various types of agents. Tools such as percentages, mean, median, 'Z' test, Chi Square Test etc are used for analysis. Likert's Five Point Scaling technique is used to identify the depth of opinion of agents and policyholders. Discriminant function analysis is done to identify the variables which form the equation with a score.

1.15 Area of the Study

In this research work, District of Madurai has been taken as the study area. It is one of the oldest districts in Tamil Nadu. Now after India's independence, Madurai is one of the major districts of Tamilnadu State. Languages spoken are Tamil, Telugu, Sourashtra, English and Hindi. Total area in Square K.M is 3741.73. The total population in this district is 25,78,201, of which males are 13,03,363 and females are 12,74,838. Density per S.q.K.m is 689. It is well connected by road transport, rail ways and airways.

The people belonging to Madurai District are educationalists, industrialists, farmers, transport owners and rural people. This district has high potential for marketing of insurance services. So the area of this study is confined to Madurai District due to availability of people at all levels of educational and financial status.
1.16 District Profile - Madurai

It is narrated in legend that Madurai was originally a forest known as Kadambavanam. One day, a farmer named Dhananjaya who was passing through the forest, saw Indra (The King of the Gods), worshipping a swayambhu (self created lingam) under Kandamba tree. Dhananjaya, the farmer immediately reported this to King Kulasekara Pandya. Kulasekara Pandya cleared the forest and built a temple around the Lingam. A city was soon planned with the temple as its centre. On the day, the city was to be named Lord Shiva is said to have appeared and drops of nectar from his hair fell on the town. So, the place was named Madurai — Mathuram meaning “Sweetness” in Tamil.

As early as the 3rd century BC, Megasthanes visited Madurai. Later, many people from Rome and Greece visited Madurai and established trade with the Pandya kings. Madurai flourished till 10th century AD, when it was captured by Cholas, the arch rivals of the Pandiyas.

Madurai started slipping into the hands of the British's East India Company. In 1781, British appointed their representatives to look after Madurai. George Procter was the first collector of Madurai. Madurai is said to have flourished in the 10th century AD which was the time when the Pandiyas rule was captured by the Cholas. From 920 AD till the beginning of the 13th century, Madurai was ruled over by the Cholas. Then Madurai was captured again by the Pandiyas and they ruled the place from 1223 AD. It was the Pandian Kings who spread the language of Tamil and many master pieces in the Tamil language like “Silapathikaram” is said to have been
created in those days. Malik Kafur, the general of Alauddin Khilji who was ruling over the region of Delhi had raided Madurai in the year 1311 for precious stones, jewels and gems. Then Madurai was raided by many other Muslim rulers. Madurai became a province of the Delhi Empire in the year 1323 which came under the rule of the Tughlaks.

The Vijayanagar Dynasty of Hampi came in the year 1371 to capture Madurai. In those days, the Vijayanagar Empire Kings appointed people who were called by the name Nayaks to rule their places. In return, the Nayaks paid some fixed amount to the Kings. Now after India's independence, Madurai is one of the major districts of Tamilnadu State. In 1984, the vast Madurai district was bifurcated into two districts namely Madurai and Dindugul Districts. Subsequently in 1997, Madurai district was bifurcated into two districts namely Madurai and Theni Districts. In Madurai District, there are 10 State Assembly constituencies and two parliament constituencies. Madurai District is situated in the South of Tamil Nadu state. It is bounded on the North by the districts of Dindigul, Thiruchirapalli and on the East by Sivagangai and on the West by Theni and South by Virudhunagar. Madurai district comprises of seven Taluks. They are Madurai (North), Madurai (South), Thirumangalam, Peraiyur, Usilampatti, Vadipatti and Melur.

1.17 Period of Study

Secondary data shown in the study are collected for a period of 5 to 10 years according to the availability of data. Primary data required for the study are collected from agents and policy holders during the period from Jan 2007 to December 2008.
1.18 Conceptual Definitions

'Agent', for the purpose of the present study, means agent is primary source for procurement of insurance business. He is the intermediaries between the insurer and the insured.

'Public Agents', for the purpose of the study, means agents who deal with insurance policies and also other types of investment activities.

'Private Agents', for the purpose of the study, means agents are those agents who deal with insurance policies alone.

'Urban area', for the purpose of the present study, means the area coming under the jurisdiction of Madurai Corporation and the City limits of Municipalities.

'Semi urban area', for the purpose of the present study, means the area coming under the jurisdiction of town panchayats and taluk headquarters.

'Rural area', for the purpose of the present study, means the area coming under the jurisdiction of village panchayats and villages.

1.19 Limitations of the Study

The following are the limitations of the present study:

The study deals with only two types of agents, public agents and private agents. Institutional agents like corporate agents are not included in this study. Auditors, tax consultants and employers are not included in the study. Policyholders are selected on stratified convenient sampling basis as the list of policyholders could not be obtained inspite of repeated attempts. This study is purely analytical study. Madurai District is considered for the purpose of this study and the findings can be generalized for almost all the districts in the State of Tamil Nadu and similar districts in India.
1.20 Significance of the Study

This study will reveal the marketing of the insurance policies by the Life Insurance Corporation of India. This will give complete details about the growth of LIC of India. It will provide valuable suggestions to improve the services of the insurance agents. It also reveals the move of competitors in Indian insurance industry. This study will analyze complete satisfaction of the policy holders with regard to insurance services and also the services rendered by the agents. This study will provide ways and means to the planners to determine quality services to the policyholders and improve the efficiency of the agents.

1.21 Chapter Scheme

The study is divided into six chapters. In the first chapter, research design is given. It contains research methodology. In the second chapter, review of literature is given. It contains the past research review. In the third chapter, concepts of insurance and role of agents are given. It contains the importance of insurance and the participation of agents in procurement of policy. In the fourth chapter, analysis of agent’s perception of marketing of insurance services is given. In the fifth chapter, analysis of policyholder’s perception of marketing of insurance services is given. In the sixth chapter, findings and suggestions are given. It contains final findings of analysis and suggestions.