CHAPTER II

REVIEW OF LITERATURE
CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

The Indian Insurance market has seen tremendous change since the year 1999. The year of public sector General insurers’ monopoly came to an end and private insurers made an entry in the year 2000. The Indian insurance sector has shown rapid expansion over the past five years. The improved performance in the economy is also reflected in the insurance industry. Services are economic activities that give value and benefit for customers. Insurance marketing is also a category of service marketing. In this industry consumer interests are actively involved even after the sale of the insurance products. Since their liabilities have to be met by the insurer. There are various approaches for analyzing the insurance service marketing. The available literature points out that the marketing of various services and hence there is a strong need to study the marketing of insurance services.

2.2 Previous Studies

Sundar Babu R.,¹ has studied the history and growth of education in India, the opinions of management respondents of matriculation Higher secondary schools with reference to school preference, the job satisfaction and the factor influencing the job satisfaction of teachers of matriculation higher secondary schools, the factors

governing the parent respondents choice of matriculation higher secondary schools, the perception factors of parent respondents towards matriculation higher secondary schools and the problems faced by the teacher respondents and the management respondents of matriculation higher secondary schools.

Dhanabalan M,² has studied the historical perspective of marketing of milk in Madurai district, Tamilnadu, the production of milk during pre – liberalization and post liberalization periods, the cost - return of milk production and compare them in terms of the milk of cows and buffaloes, the break-even output milk animals during lactation period and inter calving period, the determinants of milk yield and resource use efficiency, the marketing cost, margin, price spread of milk and their efficiency through three dominant channels, the factors affecting the marketed surplus of milk, the habit of consumption and changes in the attitudes of consumers in terms of quality, price, density, preservation, packaging and advertisement. He has found that most of the corporate bodies that have entered the market mainly procure process and market the product.

Ramnath.R.L³, found that the nationalized commercial banks should open new branches in semi urban areas. In order to have an impartial assessment, there should be periodical evaluation of the success of the SAA by an independent agency. The manager of the lead bank must visit each branch of the participation bank atleast once a month, to clear the bottlenecks in the implementation of the credit plans. The

financial assistance to the borrowers should be need based rather than based on project estimate.

Natarajan.L.⁴ has studied the origin and growth of power loom industry, the investment pattern in power loom units engaged in manufacturing grey cotton fabrics, the marketing efficiency of the different marketing channels for grey cotton fabrics, and the problems faced by the manufacturers of grey cotton fabrics in the marketing of their products and offered suggestions for the development of the power loom sector manufacturing grey cotton fabrics. He has found that the prospects of marketing of grey cotton fabrics are bright. But at the same time, the problems faced by the manufacturers in the spheres of production and marketing are many and varied.

Jothimurugan.T.⁵ has studied the cost and return structure of groundnut cultivation for small and large farmers, the resource productivity and to analyse the resource user efficiency of different factors, inputs used in groundnut cultivation, the determinants of marketable surplus in groundnut, to examine the effect of storage decision, the selection of middlemen on net price received, the existing marketing channels for groundnut and to evaluate the marketing cost, marketing margin, price spread and marketing efficiency of different channels, the change in behaviour of arrivals and prices of groundnut in regulated markets in Virudhunagar district and offered suggestions for enhancing production and marketing efficiency of groundnut. He has found that the price offered to farmers is also to be related to the cost of

production. A new mechanism can be expected to break the stagnation in the production of groundnut through adoption of modern methods of cultivation and give stable remunerative prices to the farmers.

Richard Paul.V., has studied the package of production practices followed by the coconut growers in the study area, the growth prototype and cost and return structure of coconut, the marketing practices followed by the coconut growers in the study area, the price trend and relative marketing efficiency of distribution channels, the major problems faced by the growers in production and marketing of coconut. He has found that Coconut cultivation is an important source of income and foreign money earner. It plays a role in offering significant employment to millions of rural people from time immemorial. Hence it deserves a planned and continuous attention. The coconut cultivators, traders, exporters, government and the like would go a long way in referring to the share of Indian coconut in both the domestic and foreign market.

Srinivasan.R. has studied the level of expectations of the customers about banking services, the quality of services rendered by commercial banks, the gap between the expectations and actual performance of customer service in banks, the level of service between private sector and public sector banks, the effect of customer service committees and customer service centers. He has found that the banking industry must adopt modern technology. At rural centers, business hours should be

---

fixed with reference to the requirements of local population. Every office must have an enquiry counter. Every branch should have a complaint book ready. A proper and planned customer education programme has to be chalked out. A suggestion box should be provided at a prominent place of each office.

Ramamoorthy.K., has studied the channeling mechanism for free supply and the marketing mechanism for commercial distribution of condoms, the structure and size of the existing market for condoms, growth potentials, the different market segment, the growth of entrepreneurship in the production of condoms in India by analyzing the licensed capacities and capacity utilisation of the companies engaged in the production of condoms, the social advertising with reference to the Government family welfare programme and contraceptives in general and media advertising of condoms by commercial firms, the following through user surveys pertaining to free and commercial channels and of condoms marketed by TTK & co, Usage pattern and sources of purchase.

Sounthara Pandian.C, has studied the development of the concept of entrepreneurship, the infrastructure facilities created by the government of India and government of Tamil Nadu for the growth of entrepreneurship in small scale industry, the extent of growth of entrepreneurship in small scale industry in Madurai region, the factors responsible for the growth of entrepreneurship in Madurai Region and the

---

problems affecting the growth of entrepreneurship in small scale industry and offer suggestions for achieving a higher level of growth of entrepreneurship.

Thirumalvalavan.P,¹⁰ has studied the trends in new issues of non-government, non-financial public limited companies and the behaviour of new issue investors applying for private sector corporate securities through Madurai city branches. He has found that the trends of new issues over various regions, role of new issue in company finance, ownership pattern of new issue allotments, promotional efforts pattern of new issues, post issue behaviour of new issue companies, pattern of public response inspite of high growth rate of capital issued and savings rates, reasons for high absorption rate for debentures inspite of investors expecting high capital appreciation, etc.

Namasivayam.N,¹¹ has studied the growth trend of deposits of the Ramnad district co-operative central bank Limited has evaluate the growth trend of the bank in relation to other district central co-operative banks in Tamil Nadu state, the various types of credit development of the bank with special reference to short-term agricultural loans, integrated rural development programme and the drought-prone area development programme, the various aspects of overdues of the selected primary agricultural credit societies, the borrowers of the societies, the financial strength and profitability of the bank. the policies regarding the recruitment, promotion, transfer and labour welfare employee – employer relations and ways and means for making

this bank play a more definite and purposeful role in the development of this age old backward district of Tamil Nadu state.

Natesan.P,\textsuperscript{12} has studied the sources and extent of finance for the development of handloom industry in Salem district, the problems of finance faced by the handloom industry, the needs of handloom units for strengthening current operations and the financial problems of handloom industry based on the findings of the study. He has found that the analysis of the demographic profile reveals that enough manpower is available for maximum utilization of the looms. It is observed that there is no proper integration between manpower and the resource available for the production of handloom goods and as a result, human resources as well as other resources are utilized and underutilised and sometimes misutilised.

Manickavel.S,\textsuperscript{13} has studied the present perspective of the demographic and structural characteristic of the small scale industrial units in Tamil Nadu. The marketing problem which is more important to the small scale industrial units than the non-marketing problem. The policy followed in the sphere of product variable, the strategy adopted in the realm of pricing, the practices pursued in the field of place i.e. distribution, the measures and practices followed in the area of promotion i.e. communication, the various forms of Govt. assistance in the marketing operations of small industrial units, the promotion measures, the use of devices the major problems


faced by the small scale industrial unit in marketing front and advanced concrete and fruitful suggestions to tide over such problem.

Raj Kumar\textsuperscript{14} views that advertising is to influence a customer, who has a limited spending power and it seems to operate only through familiarizing, spreading news, overcoming inertia and image building, improving market share, educating, informative and to have staff support. As far as Insurance industry is concerned, misconception is a common problem and the pre-testing revealed that most of the people associated insurance only with the rich where insurance in rarely a purchase made willingly and treatment by LIC to the public is always unfair.

Mishra\textsuperscript{15} aimed to study the marketing strategies of LIC with the objectives to act as a trustee of insured public, meeting the needs and services arising in social environment, promote a sense of participation for employees and agents to discharge their duties, maximize mobilization of peoples saving and spread life insurance in rural area with adequate financial cost. Conclusion of his study was that occupational pattern of the population has significant influence over the insurance market where 35.2\% of salaried corners has insurance coverage as against 16.2\% who are under self-employed category.

Kirubashni\textsuperscript{16} in her study has attempted to know the level of awareness, preference, influencing factor pertaining to policy holdings and to test the relationship


between the influencing factors and policy holdings. The studies revealed that the majority of the respondents are aware of the Endowment Assurance Policy and considered to rank it as number one. The study also revealed that there was a significant relationship between personal factors and policy holdings.

Under the chairmanship of Malhotra\textsuperscript{17}, a committee on reforms in the Insurance sector was formed to discuss on the liberalization of India's Insurance Sector. According to MARG survey, the awareness level of various policies of both GIC and LIC is quite limited. Secondly, a fair proportion of people are of the opinion that peerless companies are offering only general insurance. Under General Insurance, awareness of policy holders of the four subsidiaries ranges between 23% and 67%. Thirdly, non-policy holders did not hold policies because of inability to pay the premium and did not perceive the need to acquire a policy. Fourthly, it is assumed that 75% of individual's claims on LIC and 60% of the GIC subsidiaries are settled with satisfaction. Fifthly, opinion on rating the overall service of Life Insurance Corporation on a five-point scale is somewhat better than those of GIC subsidiaries. Lastly, 90% of LIC Agents and 78% of GIC Agents expressed satisfaction of their career with the Insurance companies. Majority of Agents felt that customers are quite satisfied with the services provided by the Insurance companies. Both LIC and GIC policy holders welcomed the entry of private sector in the Insurance Industry.

\textsuperscript{17} Malhotra.R.N, Liberalizing India's Insurance Industry, Chartered Secretary, Jan 1996, pp. 1-11.
The author Gidwani\textsuperscript{18} tries to find the probable solution as to why human life is valued after death in monetary terms and to what extent the life insurance is needed for an individual. Three methods namely, ability to look into one's pocket to decide how much one can save a fixed sum of money so that maximum term life insurance can be purchased and secondly, to calculate individual average earning from future personal effort over the remaining year of productive life time. Thirdly, total expenditure met during lifetime represents cost of acquisition of human asset which is productive in subsequent years.

Narasima Murthy\textsuperscript{19} in his paper has attempted to examine and evaluate the customer service provided by LIC at Hanamkonda branch in Andhra Pradesh. Opinions of the policy holders were grouped as professional and managerial group, regular income group, self-employed group and agricultural group and a sample of 100 customers on random basis were selected using structured questionnaire. Findings of the study was that the majority of policyholders are satisfied with premium rates fixed by LIC and remaining felt rates should be reviewed in view of declining mortality rate. Majority of the respondents expressed satisfaction with services of agent at the time of maturity.

Appi Reddy and Narasimha Murthy\textsuperscript{20} have attempted to examine the marketing practices followed by LIC in rural areas and problems involved in

\textsuperscript{18} Gidwani S.J, How much life Insurance does a man need, Chartered Secretary, Jan 1996, pp. 31-32.


providing the services. The organization appoints development officers with responsibility in a specified territory (Tryst with Trust) and special promotional efforts like field publicity vans, film shows, exhibitions etc are insisted. Only 4.55 Cr people have been insured against the insurable population of 21Crs (Appa Rao) in spite of consistent efforts. The problems encountered are, among 7 segments, agriculturists are not identified, no schemes are available to suit lower and irregular income groups. Some policies are low cost plans without profit like Bima Sandesh. Lastly, rural people felt buying policy is costly and it added additional problems.

Madawat21 has studied the changes that had taken place between two decades in life insurance with particular reference to policyholders’ weals and woes. The twin objective at the time of inception was to provide protection to all the sections of the society and to make available the investment in priority sectors. The study revealed no spectacular increase in business from rural areas but all efforts were made to exploit the vast and untapped potential from rural business. Life fund registered an increase at 1283% in the year 1975-76, 17.7% the net lapse ratio was due to misguidance of agents and development officers but targets were fixed realistically to bring down.

Ajit Ranade and Rajeev Abuja22 present an overview of the operation of LIC in India and identify the strategic issues in liberalization and the entry of private players in insurance. The author brings out the need of private players and enhance

---

efficiency in operation, achieving a greater density and penetration of life insurance mobilize long term savings for infrastructure projects in a tabular format with percentages. Though LIC is in advantageous position compared to private entries, it has to bring changes in demand for pension, demand for variety of products and freedom in investment in order to survive and adapt to the liberalized scenario.

Lajput Ray Chandhani\textsuperscript{23} attempts to study the concepts of keyman insurance, its objectives, features, monetary value of keyman’s life, maximum sum assured and other requirements. Though introduced five years back in India, is yet to gain prominence in the field of life insurance. He opined that key man insurance holds, good to mitigate the losses that might materially affect the organization’s profit, reduce sales, increase cost, restrict credit etc that might be caused by key employees whose skill and knowledge is more valuable to the organization and remains almost indispensable.

Raghu Gulati\textsuperscript{24} in his survey, attempted to observe the life insurance market in relation to products and customers. A basic understanding of life insurance business, product portfolio, strategy the company adopts, demographic analysis, the customer strategy that the organization repeatedly follows when launching insurance etc are studied. The study reveals that LIC has deep penetration in urban areas, but the people are under insured, yet there exists potential to increase the coverage of insurance. 50% of LIC’s business comes from rural areas and agents seem to be the most effective channels regarding sales. In product strategy, if the customer is in

\textsuperscript{23} Dr. Lajput Ray chandhani, Keyman Insurance, Indian Mangement, Vol.35 No.10, October 1999.
\textsuperscript{24} Raghu Gulati, Study of Life Insurance Market: Products and customers, (GE Capital, India), 1999.
need of basis insurance product, the company should come forward to launch term profit is to be matched with risk, a unit link product is to be launched etc.

Mishra & Semite Mishra\textsuperscript{25} brings the position of insurance compared with European countries, where life insurance accounts for 58\% of global direct premium and non-life 42\% during the year 1997. The study states that the need for insurance arises when economic activity increases, family becomes nuclear, kins get geographically dispersed and individual becomes more dependent on employment. The author analyses the top ten largest insurance markets and how they are ranked by revenue in the year 1998 is well differentiated.

The authors Jaya Basu\textsuperscript{26} and Chandra Sekhar discusses the problem faced by the insurance players towards majority of population being ignorant of the policies. It states that only 15\% out of the total population are insured and the penetration level of insurance policies in India is only 1/3\% as against 2.86\% in Israel and 2.43 in Hong Kong. If this status is to be increased there is a need to create customer awareness in rural areas, innovate low-price units with low premium and right distribution techniques with planning for rigorous training to agents, direct marketing, bank assurance etc which can definitely prove to be a boon to new companies entering this sector.

The authors Ramakrishna Reddy and Raghunadha Reddy\textsuperscript{27} have attempted to study the issues and related conclusion on certain matters like whether premium rates

\textsuperscript{26} Jaya basu and chandrasekhar,R, Insuring the profits, ICFAI Reader, Sept 2000, pp. 55-57.
reflect the life expectancy or is the policy designed only for government employees or semi-government employees or reputed commercial firms etc. The spirit of the policy holders to know about the working, drawbacks and short coming of the LIC are discussed. The study reveals that the rates of premium charged under postal life insurance are less and cheaper compared to the rates of premium of LIC. As LIC is covered for a confined class of selective masses it is felt necessary to concentrate on uncovered areas and non-salaried class as potential market segments, The foremost change required by LIC is to provide transparency of information to the community, as they have the freedom to access any information about the working of LIC.

Malliga\textsuperscript{28} in her study has examined the association between socio-economic status, personality traits of the agents and the performance in Tirunelveli, Tuticorin and Kanyakumari districts. Further the impact of marketing strategies and attitude of the agents towards the organization on the performance was studied with a sample of 100 respondents using stratified random sampling. The results of the data showed that performance of the agents in terms of number of policies, the sum assured and the total commission received was found to be dependent on the socio-economic status. There is a significant correlation between marketing strategies of the agents and their performance.

Jha\textsuperscript{29}, being a former Executive Director of Life Insurance Corporation of India, has discussed and presented the period in which insurance industry was in the


\textsuperscript{29} Jha R.N, Challenges before Insurance Industry, Forum of Free enterprise, 2000, pp. 1-12.
hands of private sectors (1818-1955), then public sector (1956-1999) and once again under private sectors (2000). The objective of liberalization is to provide better coverage and the flow of financial resources for the growth of infrastructure. The challenges before the industry in a liberalized market are a few new insurers, exciting insurers, expectations of consumers, distribution channels, consumer education and grievance redressal ie, Ombudsman.

The author Achamma Samuel\textsuperscript{30} attempts to make an overview of the Insurance system in India. As the Insurances sector facilitates for economic development, the author tries to evaluate the insurance penetration and makes a comparison with the world standards. The study reveals that India’s insurance penetration was only 2.3% as against the world’s average of 7.8% in the year 2000. The low insurance penetration reflected on the vast potential for the development of insurance markets in India.

Mahesh Chandra Garg\textsuperscript{31} brings out the new paradigm in the insurance industry by imposing the increase in life expectancy of individuals and disintegration of joint family system where each individual now arranges the cover for himself and for the family. He views that insurers who were around 7 percent of the population in 1999 have to grow very fast because private sector operators in collaboration with their overseas partners are likely to bring in more professional and focused approach.

\textsuperscript{30} Achamma Samuel, Insurance: The Indian Experience, Reserve Bank of India Occasional papers, Vol.21No.2 and 3, Monsoon and winter, 2000, pp. 349-373.

Once competition grows, lower premia may also become a reality and the regulatory body has to ensure a balance in the enactment of the regulation in the overall development and maturity of the insurance industry.

The authors Sankariah, Rudra Saibaba and Pervaram Sreenath, have attempted to articulate the objectives like marketing strategies, progress in LIC, different facilities to meet risk coverage, highlights of the new policies offered by the insurance companies in the context of privatization, liberalization and globalization. On comparing with private firms, the study has elicited that different varieties of policies offered by LIC are not available with other insurance companies as they offer only Endowment & money back policies.

Paresh Parasnis in an article briefly discusses the various channels of distribution in the life insurance industry in India and new avenues being explored by the new players. Importance is given to the customers not only for meeting his requirements but also the impact in times of fulfillment, quality of service rendered, complexity of products etc are given priority. One of the recent experiments worth explaining is Banc assurance. In a recent survey carried out by price water house cooper on banc assurance, the following emerged as key issues to improve effectiveness of the sales channels, products need to be tailored etc. To conclude, that industry in transition presents opportunities, but is also fraught with challenges of an

---

unknown magnitude. Therefore only the best will survive in the long-term which enables to spot the emerging trends & helps to capitalize the benefits of its customers.

Agarwal\textsuperscript{34} has attempted to study the importance of information technology in the insurance industry and brings out the efficient need of providing improved services when there in competition due to private entry. In an insurance company the service of it may be utilized in nine areas like customer service, claim management, human resources etc. It is assumed that to have an overall increase in the size of the insurance market, information technology must be used on a much vigorous basis for more extensive penetration.

Nikhil Gupta\textsuperscript{35} in his article views that among the strategies that Indian insurers adopt, best opportunity lies in the product’s core function that is in providing a safety net. though insurance is pooling of resources to help a few in distress, it certainly requires refining the notion of responsibility. the author brings out the highlights in rising proportional aspects, penetration level and other projected macro-factors along with global insurance market during the year1999 and also reveal LIC fund. Each private player’s view points are to sell the product for customers at their own risk, protection is discussed separately with their capital base, centre owned, number of agents, free look period, Ad line ranking etc.

The author Swapan Bakshi\textsuperscript{36} tries to focus issues on the potential growth in insurance business and the infrastructure for banks to adopt the strategies for success

\textsuperscript{34} Agrwal R.F, Role of Information Technology in the Insurance Industry, Chartered Secretary, Aug 2001, pp. 235-237.
\textsuperscript{35} Nikhil gupta, Responsible Reassurance Accounting and Management, September 2001, pp. 27-33.
in a competitive environment. While opportunities are immense and the challenges are also formidable, the prospects and problems for banks planning to foray into insurance are well discussed. Entry of private players may erode the deposit base of banks, since life insurance-linked saving is more attractive, and also competitive advantage, flexibility, gestation period, potential threat to deposits may be the factors considered for banks to go for both life and non-life sectors.

Kutty brings out the fact that insurance industry’s growth is achieved not through penetration among one segment of population ie., the formal sector (middle class) but also the pattern of expectations in the informal sector which helps in the sufficient spread of life insurance. The author has cited many Indian cases. One among the author’s own survey of 75 rural LIC policyholders conducted in Trichur district of Kerala in 1990. the key findings are majority of the respondents are concerned with specific savings needs and smaller number were concerned with general needs. Majority felt that insurance is for a dominant need and safety for their investment. The distinctive pattern of expectations of the informal market is fairly apparent in the above study.

Thiripurasundari in her study has attempted to know the attitude of policyholders towards the services of LIC branch office at Mayiladuthurai town in Tamil Nadu and the level of satisfaction of policy holders relating to the rate of bonus, rate of premium, and medical examination etc. The study reveals that the


overall services of the branch office with regard to various aspects are satisfactory and 80% of the respondents expressed their opinion towards rate of premium as normal and bonus as moderate at the end of maturity period. Majority of the policy holders feel that the medical examination insisted for taking policy is necessary.

In an article\textsuperscript{39}, a report discusses the market share, policies sold, customer protection and opportunities in the insurance sector. It brings about the challenges before the Insurance sector, expectations of the customer, various channels of distribution, statistics etc. In the year 2001-02, LIC had about 98.5% market share with 2.32 Crores policies sold. Ombudsmen were setup in 12 cities for redressal of customer grievances. Comparing with Indian and global insurance, India takes a meager of only 0.41% share and premium as 1.9% of GDP as against 5.2% in US, 6.5% in U.K etc. Though LIC products are sold as service products, it looks for various attractive distributive channels that can be employed by way of Banc assurance, worksite marketing and explore through non-financial organizations.

Pushpa Kumari\textsuperscript{40} attempts to find out how LIC provides security to the masses and its contribution to the development of the economy. As per the annual report, number of policies in individual Assurance increased more than 13 times. i.e., (from 85.77 lakh in 1961 to 1131.11 lakh by 2001). Rural share was 36.5% in 1961 which increased to 55.5% in 2000-01. To conclude, investment structure seems to have undergone a shift in favour of the Government securities and in corporate sector,

comparatively, investment is social and development activities experienced a decreasing trend.

Rajat Shuvro Bakshi\textsuperscript{41} in his study attempts to know the theoretical concepts, examines the post liberalization scenario in the existence of IRDA and the strategies for future. Trust in customers is the major driving force for the private players and is not easy to achieve especially when insurers are preparing themselves up for a competition. Insurance premium in India accounts for mere 2.3% of GDP and percentage of savings is barely 5.95% in India. The factors discussed for customer to retain in spite of private entry are strong distribution network, strategic selection of segments, reputation, creditability, financial stability etc. As per Financial Times May 14 2002, LIC records to the extent of 23 million number of policies sold comparing to other private companies.

Ashok Thampy and Sitharamu\textsuperscript{42} have discussed the international comparison of insurance consumption in both developed and developing countries. Also estimates of the potential for individual life insurance in India, the interaction of demand and supply of insurance in determining insurance consumption were studied. International comparisons of the life Insurance premium per capita (India ranks 74th) and the life insurance premium as a percentage of GDP (India ranks 49th in the world in 1995) Swiss Reinsurance Co., 1997) ranks India in low measures. The conservative estimate of life insurance potential (based on census 1999) and

occupation profile of worker is 14.735 crores of individual insurable lives. As
demand already exists, the consumption of insurance in the post Liberalization
scenario increases with shift in the supply.

Ranjan Das & Raveendra\textsuperscript{43} opine that the economic reforms which ushered in
Indian in the early nineties enabled the Government to set up a committee called
Malhotra Committee in April 1993. The committee suggested reforms with an
objective to improve the penetration of insurance as the percentage of GDP remained
a lot at 77\% ie., during in the year 2000 in India, compared to some developing
countries in Asia. The entry of new players has rejuvenated the erstwhile monopoly
player LIC and following are the changes brought about by privatization. They are
market expansion, new product offerings, customer service, channels of distribution
and strategic alternatives including variety based positioning, needs based
positioning, access based positioning etc. In the view of the authors, if any life
insurance player chooses a particular positioning, it involves trade-offs, but the cost a
company has to pay if it aims to attain a sustainable competitive advantage.

The author Shobhit and Sanjay Shukla\textsuperscript{44} have conducted a survey in Lucknow
city as well as its adjoining rural areas to expose the reasons for the failure of private
insurance players and the present scenario were also studied. The sample size is 200
of which rural accounts for 80 respondents. The finding reveals that majority of
rural population showed high bias towards low premium risk coverage. The study

\textsuperscript{43} Ranjan & Raveendra.C, Strategic Choices in Life Insurance Business, Strategic Marketing ,Jan-

\textsuperscript{44} Shobhit and Sanjay Shukla, An Empirical study and Analysis of Failure of Private Insurance
also reveals that in urban areas, efficient customer's services and services provided at doorstep are the two major reasons for market penetration in the private players.

Agarwal\textsuperscript{45} in his article briefly discusses the various channels of distribution and new avenues being explored by the new players in the insurance sector. He views that a customer may have expectations like value added services, development of new products, technology insurance, solvency, financial security, quality trained staff etc. Though customer satisfaction may be provided by maintaining high professional standards and rationalized procedures etc it requires new paradigms. In short, customer care is an approach of non-stop caring where only those companies will survive, which can respond to the customers needs faster and better than any one.

Devashish Pujari\textsuperscript{46} and Anand Sharma in their study have formulated certain objectives to elucidate the importance and application of marketing concepts in the services offered by insurance companies, to fill the gaps in marketing efforts by the companies and suggest measures to strengthen customer satisfaction. The study is primarily based on the observation and unstructured interviews with the executives at regional office and branch office of insurance companies. The main source of information is through advertisement and information lying in the branch, divisional and regional office.

\textsuperscript{45} Agrwal V.K., Insured expectations in a Liberalised Insurance Market, Chartered Secretary, Aug 2004, pp.238-240.
\textsuperscript{46} Devashish Pujari and Anand Sharmak, Marketing Application in Insurance services, Marketing of Services, pp.184-197.
Ravi Shanker\textsuperscript{47} has attempted to know the objectives, namely the reforms adopted by LIC after nationalization, its impact, influencing factors in competition and marketing strategies adopted by the insurance companies. The findings of the study are that as per the reforms, the direct insurers will have a minimum paid up capital of Rs.1 billion, invest policy holders funds only in India and to restrict international companies to a minority equity holding of 26\% in any new company. Influencing factors in competition are saving plans, easy settlement and protection against creditors etc. The two possible limitations are rate of premium of GDP which indeed is comparatively low in India and secondly new players find it easier to capture existing customers by offering better service and other advantages.

Ashok Thampy\textsuperscript{48} studies the highlights of Rural Insurance Research conducted by FORTE. Two representative districts were selected from each area in the whole of Rural India-affluent areas of Western Uttar Pradesh and Andra Pradesh. The study shows that rural sector offers huge business opportunity and out of 124 million rural household, 27\% already possesses life policy and 51\% of the respondents express to purchase a policy. Delivery system infrastructure in the form of District Co-operative Banks, NGO's, SHG etc. exists and IT enabled e-choupal is present. Nearly 20\% of all farmers own a kissan card.

\textsuperscript{47} Ravi Shanker, Marketing of Insurance Services, Service Marketing the Indian Perspective, pp. 275-287.
Arunajatesan\textsuperscript{49} in his study attempts to find the reason for poor penetration of Insurance and influencing factors like awareness of LIC products, preferred mode of saving, insurable population, reasons for buying etc. The findings of the study are that 70\% of the population is aware of insurance through TV, News papers and Agents and among them only 24\% are insured Regarding the knowledge of schemes, less than 5\% is recorded and reasons for buying insurances is only Tax planning and Risk cover only.

Balasubramaniya.S.R.\textsuperscript{50} concluded that once the revenue account is prepared, the results can be analyzed for each vehicle. It will be very much used for pricing motor insurance. Further once this became mandatory while preparing animal accounts than preparation of separate statistical return will not arise.

Shri Sankar Das\textsuperscript{51} stated that an agent is a primary source for procurement of insurance business and as such his role is the other stone for building a solid edifice of any life insurance sale. An agent must be equipped with technical aspects of insurance knowledge of merits and demerits of other instruments of investment available in the financial market. He must be endowed with a burning desire of social service and over and above all this, he must possess and develop an undeterred determination to succeed as a Life Insurance salesman. He has concluded that the agent before offering any product, must know his clients well enough.

\textsuperscript{50} Balasubramaniya S.R, Need for preparation of motor insurance revenue account, The journal of Insurance Institute of India, June 2004, pp. 46.
\textsuperscript{51} Shri Sankar Das, Role of Agents in Competitive Regime, The journal of Insurance Institute of India, June 2004, pp. 50.
Sinha.U.K.\textsuperscript{52} concluded that while providing old age income security to uncovered 89\% of Indian populations certainly and esteemed goal in the long run, albeit provision of such income security on a voluntary basis could certainly be taken as an intermediate achievable goal.

Jagendra Kumar,\textsuperscript{53} observed that Private insurance companies give a good competition to the public sector insurance companies in terms of customer orientation and quick settlements. Companies could purchase insurance products of their displaced workers as part of severance package.

Sekhar Chandra Sahoo,\textsuperscript{54} has stated that Life's aspirations come in the guise of "CHILDREN" said Tagore. These aspirations come true if people provide valuable insurance protection to their wards. Planning for child's higher education is critical. Providing for children's higher education is generally done in an ad-hoc fashion. The cost of higher education has changes vastly in two ways over the last few years. The state subsidy for higher education has come down drastically, pushing up costs vertically. He has concluded that the real benefits under LIC's "Komal Jeevan" plan however the total is guaranteed additions on the maturity date.

Basil Reekle,\textsuperscript{55} stated that the Health insurance provides single or multiple payments on the occurrence of certain health related events. These events can occur

\textsuperscript{52} Sinha.K., New Pension Scheme(NPS), The journal of Insurance Institute of India, June 2004, pp. 31.
\textsuperscript{53} Jagendra Kumar, Changing Scenario Of Insurance Industry, The journal of Insurance Institute of India, June 2004, pp. 43.
\textsuperscript{54} Sekhar Chandra Sahoo, A Comparative Analysis: LIC's Komal Jeevan Vs ICICI's Smart Kid and TATA AIG's Mahalife Jr., The journal of Insurance Institute of India, June 2004, pp. 38.
more than once. Short term insurance products cover the risk of financial loss or provide insurance cover on the occurrence of the risk event other than health or life events. He has concluded that Health insurance for frequent, low-cost events is often not commercially viable and insurance companies would either avoid such business, or, if it is inevitable as an add on to other business, they should try to minimize this form of business.

Jain.R.C.A.\textsuperscript{56} observed that agriculture remains the dominant sector in a large number of developing countries. Agricultural products are also an important export item for many countries. Agriculture has always been a risky business. In many countries the state provides aid or relief to the agricultural sector in the event of a natural catastrophe as a matter of public policy.

Bhandari.K.N.\textsuperscript{57} has stated that the changing nature of international terrorism risk over the last decade is characterized not only by its transactional scope but also by completely new loss dimension. The 9/11 and other recent terrorist attacks did make insurers and reinsurers realize that they had grossly underestimated exposure of their risk portfolio to terrorism. It is generally felt that conventional insurance and reinsurance markets do not have adequate depth and capacity to respond to the new challenges for various reasons.


\textsuperscript{57} Bhandari.K.N, Terrorism – Challenges for Insurance Industry, The journal of Insurance Institute of India, June 2006, pp. 25.
Hari Govind Mishra,\textsuperscript{58} stated that the product is viewed by consumer through certain angles such as symbolism, communication, perception, evaluation and so on. Consumer symbolizes the functions, meaning and purpose from different angles. It discovers the profitable message of the product to convey to consumers. Consumers should perceive the product in a right perspective. A product is evaluated by the consumer. The degree of satisfaction of a product depends on the evaluation process. It considers the relationship between the anticipated reward of a product and the effort necessary to reach it. In India, customers of life insurance have not properly perceived the life product. They purchase the life policy only under compulsion. It is sold and not bought.

Venkatesh.G.\textsuperscript{59} stated that Agricultural output is greatly influenced by vagaries of Nature. Some of the current responses to adverse weather conditions include changes in cropping patterns (shift to less remunerative more sturdy crops) and reduced input usage and low technology adoption. Government subsidies on fertilizers, power and interest on debt is available to farmers. Multi peril crop insurance has been tried out in various forms, but the effectiveness of these measures has been regrettably, low. This insurance can only be provided by government agencies due to unpredictable weather risk and co-variate risk of crop damage / failure over a large area. He has concluded that in USA, crop insurance is clearly identified as risk management option. The Noninsured Crop Disaster Assistance

\textsuperscript{58} Hari Govind Mishra, Product Management of LIC, The journal of Insurance Institute of India, June 2006, pp. 58.

Program (NAP), managed by USDA's Farm Service Agency, provides financial assistance to producers of non insurable crops when low yields, loss of inventory occurs due to natural disasters. Multiple Peril Crop Insurance (MPCI) policies are available for most insured crops. Other policies are being tested on a pilot scale.

Anabil Bhattacharya, found that only 20% of the world population enjoys adequate social protection. The simple existence of risks inhibits their development initiatives. The liberalization of economy has strengthened the argument "to strengthen the people at micro level, i.e., at the grass-root level of the society, the rural areas. Action plans are made to strengthen the rural areas by providing micro finance to the people living therein. With the concentration on micro finance, the concept of savings and credit has evolved. This concept has further developed the mobilization of local resources including the skills and expertise of local people by formulating self-help groups and micro financial institutions.

Jagendra Kumar, stated that 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.


Neelamegam.R. and Pushpa Veni.K,\textsuperscript{62} observed that due to globalization and liberalization, the service sector has been witnessing a lot of changes. He has concluded that where legislation has allowed, bank assurance has mostly been a phenomenal success and although slow to gain pace, is now taking off across Asia, especially now that banks are starting to become more diverse financial institutions, and the concept of universal banking is being accepted.

Das.S.C.\textsuperscript{63}, stated that internationally, many insurers lose money on products and make up with investment income. Investment income has to compensate for underwriting results which are increasingly under pressure worldwide. The non-life insurance business in India, like in most global markets, including the USA, has been incurring underwriting losses and has mostly survived on investment income.

Jagendra Kumar,\textsuperscript{64} concluded that Insurance agents have been given a wider field to display their professional expertise in risk management, consultancy and claims advice to all consumers and with the brokers continuing to have a choice provided in the code of conduct to collect fees from the client but the brokerage payable will not exceed the current norms.

Shukla.A.K,\textsuperscript{65} concluded that the life insurance industry has seen the new players stabilize their operations keenly matched by LIC and the premium numbers

\begin{itemize}
  \item Das.S.C., Cost management practices in Non-Life insurance companies: A Comparative study, The journal of Insurance Institute of India, June 2007, pp. 03.
  \item Jagendra Kumar, Success of Indian Insurance Brokers: A Bubble waiting to Burst, The journal of Insurance Institute of India, June 2007, pp. 09.
\end{itemize}
bring out the fact that the size of the insurance market has grown over the six years of liberalization. The insurance industry as well as the research community has to join together and brainstorm on this front to take the Pension reforms towards the Woodstock of Indian annuity.

Surjeet Singh,\(^{66}\) stated that a few insurance mechanisms deal with weather risk. Traditional, multi-peril crop insurance has not proven effective, particularly in the case of smallholders and often excludes weather factors such as drought. Traditional crop insurance, common in developed countries, is typically heavily subsidized and is more appropriate for large commercial farmers. This may contribute to reducing the overall risk of their weather portfolio and reduce the overall costs of covering weather risks. Finally, understanding and modeling the relationship between economic losses and weather events will be critical in designing tailored weather products that meet the requirements for various agricultural users.

Mirilla.T.T,\(^{67}\) concluded that Cyber Crime is a type of terrorism and needs to be specifically excluded from the normal policies issued to bankers. However, on per institution basis, it may be possible to underwrite losses on accommodation resulting from named cyber crimes. In doing so the underwriting needs necessarily to be conservative and sufficient information provided by the company seeking the coverage to determine the likely level of losses and economic premium applicable.


\(^{67}\) Mirilla.T.T, Recent Threats to The Insurance Sector – Terrorism and Cyber Crime, The journal of Insurance Institute of India, June 2006, pp. 44.
have suggested this rather cautious approach for the simple reason that such crimes are usually localized to companies attacked.

Prakash vel.K, Ravichandran.K. and Chan Kok Eng,\textsuperscript{68} observed that the Life Insurance Industry of the Asian markets, we felt India to be a wide and growing market for Life Insurance products and given the current competition in India, with both LIC and private operators in the fray, the authors felt that research model and analysis could be useful for the Indian Life Insurance Industry in formulating their Consumer Oriented Marketing Strategies and for future researches in this area.

Prodip Dutta,\textsuperscript{69} stated that the Postal Department will not sell all Oriental Insurance policies though they can sell any number of those they do. These include Personal Accident Policy, Janata Personal Accident Policy, Shopkeepers' Insurance Policy, Universal Health Scheme etc. The Postmen will sell these policies directly to rural people and earn incentives over and above their salaries. The Postman in rural India is considered to be most respectable and knowledgeable by illiterate people. The people will accept his guidance.

Banerjee.T.K,\textsuperscript{70} observed that in 1991, there was a paradigm shift in government policy with the advent of economic liberalisation. Financial sector reforms in the mutual funds and banking sectors allowed foreign direct investment and foreign institutional investment. In the insurance sector, a Committee on Reforms

\textsuperscript{69} Prodip Dutta, Protection through postal life insurance, The journal of Insurance Institute of India, June 2005, pp. 68.
in the Insurance Sector, popularly known as Malhotra Committee in 1993, was appointed by the Government to review the working of the insurance industry. Four broad areas of operation have been carved by regulations for the Authority to function and these are: (i) admission of insurers including powers of on site and off site supervision; (ii) functioning of the intermediaries; (iii) control on rates of premium, terms and conditions, and (iv) policyholders protection.

Jain.A.k,\textsuperscript{71} stated that the outcome of a speculative risk may either be seen in profit or loss, whereas, the occurrence of pure risk produces only loss. Risk management deals not only with the physical aspects concerning with the nature of the identified risk in question but also with psychology of risk. He has concluded that the Institute has developed through its various programmes and whether it can ensure a fit between the changing environment and the Institute’s capability to deliver professional education to insurance industry professionals.

Suranjita Lahiri,\textsuperscript{72} concluded that brand image is something an organization cannot afford to ignore, If it wants to carve a niche for itself in the long run in order to successfully hold the brand image, a company must ensure to preserve the values of brand. Branding is considered less expensive way of ensuring quality than administrative controls, since a company takes its reputation on the brand.

\textsuperscript{71} Jain.A.k, Need of the hour Risk management vis-à-vis Insurance education, The journal of Insurance Institute of India, December 2004, pp. 52.

\textsuperscript{72} Suranjita Lahiri, Brand identity – its influence in customer decision making, The journal of Insurance Institute of India, December 2004, pp. 74.
Subramanyan.N.V,\textsuperscript{73} observed that the insurer has to spend very heavily in the initial years to procure a policy by way of payments to intermediaries (in the shape of commissions, incentive bonus to development officers, salaries to administrative employees engaged in processing New Business, establishment expenses etc.), stamp duty, postage, fixed costs, administration costs etc. and it takes quite a while for the insurer to fully recover these initial expenses. If the policies lapse, especially soon after they are issued, the insurer has no way to recover those expenses. Such losses lead to fall in the profitability of the insurer – this leads to a fall in the bonus rates for all policy holders.

Vinay Verma,\textsuperscript{74} stated that there is ample evidence that broker driven insurance market is attractive to customers. Brokers dominate the developed insurance market. In USA, 70\% of non-life business is transacted through brokers. Their activities have already kicked-off in Indian market and they are ready to play a more professional role to create risk awareness, widening customer base and in development of insurance market in India. Contrary to agents and corporate agents, brokers are supposed to be directly looking to the interest of the customer and not the insurance company.

Subramanian.N.V,\textsuperscript{75} found that the entry of private players coupled with the major changes which occurred as a natural corollary to the ongoing momentum of the

\textsuperscript{73} Subramanyan.N.V, Lapsation of Life Insurance policies, The journal of Insurance Institute of India, December 2004, pp. 82.

\textsuperscript{74} Vinay Verma, Insurance Broking in India scope, Challenges and Prospects, The journal of Insurance Institute of India, December 2004, pp. 106.

\textsuperscript{75} Subramanian.N.V, 'Challenges in Improving Profitability of Life Insurance, The journal of Insurance Institute of India, December 2003, pp. 28.
Government of India towards economic reforms and the eventual aim of tuning the Indian economy to the global market place, which were discussed in ‘Introduction’ has seen the bottom-lines of several insurance companies taking a hit. He has concluded that the scenario on account of competition from private parties has been mostly overstated in the past to some extent. It also appears that the PSU insurers have tackled the situation most admirably.

2.3 The Present Study – A Different Outlook

The above study analyzed various aspects of services marketing and attitude of the service providers. Our present study is going to discuss about the services provided by the Life Insurance Corporation of India. It will discuss the importance of agents’ services with respect to promoting policies, after sales services, customer relations etc. It also reveals the behaviour of policyholders while selecting the policies in LIC. It also studies the impact of privatization of Insurance industry in India. Since our area of study is Madurai district, our study will oversee the influences of other insurance companies on the marketing of LIC products in Madurai district.

In this chapter an indepth analysis is done in relation to various previous studies and the aspect as how the present study differs from the previous ones.