CHAPTER – 2

REVIEW OF THE RELATED LITERATURE

2.1 INTRODUCTION

“A traveler without knowledge is like the bird without wings”.

- Sa’di, Gulistan

It has been universally acknowledged that no work can be meaningfully conceived and soundly accomplished without critically studying what already exists in relation to it. It is the study of already established knowledge pertaining to the area that enable us to perceive clearly what is already lighted up in that area and what still remained enveloped in darkness. Once we come to know about that what is already researched and what portioned is left out, then we can proceed logically and purposefully. There are very few direct studies available on this subject. In fact, in India, studies have not been conducted related to the topic so far. Thus the review of related issues, concepts and aspects will certainly guide us regarding studying stress.

Review of literature is a critical summary of research on a topic of interest, often prepared to put a research problem in a context. A review included a research report, which include a brief literature reviews with their introduction. To provide readers with a quick overview of the being addressed document the need for the new study & demonstrate how it will contribute to existing evidence. The primary purpose of literature is to gain a broad background that available related to problems in conducting research, the literature review facilitates selecting a problem and purpose, developing a frame work and formulating a lesson plan. Literature review is a key step in research process. Review of relevant literature is an analysis and synthesis of research sources to generate a picture of what is known about particular situation and knowledge gaps that exist in the situation. In order to attempt the goal in the present study, an attempt has been made to review and discuss the literature.
It gives a comprehensive view of the various aspects and the varied critical opinion of authors and research scholars in recent times. This review helps focus on the advantages, disadvantages and the areas and scope for improvement. It also gives statistical factual data based on surveys and reports. This review is of great help to the researcher to know the pros and cons and look at the problem from a new and different perspective.

Insurance is a contract whereby, in return for the payment of premium by the insured, the insurers pay the financial losses suffered by the insured as a result of the occurrence of unforeseen events. With the help of Insurance, large number of people exposed to a similar risk makes contributions to a common fund out of which the losses suffered by the unfortunate few, due to accidental events, are made good.

Insurance is a social device, aimed at accumulation of funds to meet uncertain losses. Insurance is a co-operative device to spread the loss caused by a particular risk over a number of persons, who are exposed to it and who agree to insure themselves against the risk. (Mishra, M.N., 1979).

**Dictionary of business and finance defines as follows:** “Insurance is a form of contract or agreement under which, one party agrees in return for a consideration to pay an agreed amount of money to another party to make good for a loss, damage, or injury of something of value in which the insured has a pecuniary interest as a result of some uncertain event”. (Motihar, 2004).

**Dictionary of commerce defines as follows:** “Insurance is the payment of a sum of money by one person to another on the understanding that in specified circumstances the second person will make good any loss suffered by the first.” (Motihar, 2004).

In its legal aspects it is a contract, the insurer agreeing to make good any financial loss the insured may suffer within the scope of the contract and the insured agreeing to pay a consideration.

Human life is exposed to innumerable risks. Life Insurance is a contract providing for payment of a sum of money to the person assured or, failing him to the person entitled to receive the same, on the happening of certain event. Uncertainty of death is inherent in human life; it is this uncertainty that is risk, which gives rise to the necessity for some form of protection against the financial loss arising from death. Insurance substitutes this uncertainty by certainty.
Life insurance provides the necessary defense in case of financial losses arising from uncertain events, the complexity of life and changes in the social systems in India have increased the scope of life insurance.

As with most insurance policies, life insurance is a contract between the insurer and the policy owner whereby a benefit is paid to the designated beneficiaries if an insured event occurs which is covered by the policy.

“Life Insurance contract may be defined as the contract, whereby the insurer in consideration of a premium undertakes to pay a certain sum of money either on the death of the insured or on the expiry of a fixed period”. (Periyasamy, P, 2005).

Life insurance business is defined under section 2 (11) insurance act, 1938 as follows: Life insurance business means, the business of effecting contract of insurance upon human life, including any contract whereby the payment of money is assured on death or the happening of any contingency dependent on human life and any contract which is subject to payment of premium for a term dependent on human life and shall be deemed to include the granting of a. Disability and double or triple indemnity accident benefits, if so provided in the contract of insurance; b. Annuities upon human life; and c. Superannuation allowances and annuities payable out of any fund applicable solely to the relief and maintenance of persons engaged or who have been engaged in any particular profession, trade or employment or of the dependents of such person.

Human Life Value Approach:

Huebner said, “Human Life Value is the Economic Interpretation of Life Insurance”. (Huebner, 1995).

Life insurance is a legal contract between the insurer and the insured based on a high degree of mutual good faith popularly known as ‘Uberrima Fides’ meaning the ‘utmost good faith’. (Sushil Chandra Pal, 2007). In life insurance contract, each party must disclose every material fact known to him and on the basis of the facts disclosed, assessment of risk and return are made and the contract is affected. The concept of ‘human life value’ can be expressed in terms of monetary value for which it should be carefully appraised and capitalized. Man through his earning power, wants to satisfy
his needs – present or future. It is this earning power / productive capacity which are his human life value.

The development of Actuarial Science and Mortality tables is a landmark in the history of life insurance. (Ray, 1941). Actuarial Science and mortality rates were made reliable in the year 1755 and for the first time life insurance had been transacted on modern lines in England in 1807 (LICI, Branch Managers’ Training Course, 1964) and established itself on firm footing in the wake of industrial revolution in the 19th Century.

The earliest mortality table of assured lives constructed in India related to the period 1905-25. This mortality was based on the experience of Oriental Government Security Life assurance Company. Today, the ‘non-profit’ premium rates in use are based on the latest mortality table constructed during the period 1975-79 and the ‘inclusive of profit’ premium rates based on the earlier mortality table published in 1970-73.

 vx Role of life insurance:
 Life insurance plays a significant role, in the individual lives as well as the society. For the individuals, life insurance is a life saver since it offers protection and extends a hand of protection to those who feel depressed and are left without any support due to the sudden, unexpected demise of the breadwinner of the family. It has an element of saving for investment in future. It offers a safe and secured future, by providing financial assistance at times of need that is for meeting the educational expenses of the children or marriage and so on. It provides loan facilities which improve the credit worthiness of the policy holder. A life insurance policy may be used to avail loan facility, directly from the life insurance company or can be given as a collateral security for obtaining financial assistance from banks and other financial institutions. In case of death, life insurance provides security for the family and provides guaranteed payment when there is reduction in the earning power, due to old age, sickness, accident and so on. Life insurance is a means of savings and the relief given by the government towards the savings, promotes the habit of thrift and savings among the people. Life insurance companies accumulate large funds which they hold as custodians. A large proportion of these funds are invested in the Government, Semi-Government...
and private enterprises. The money is also invested in social development projects such as housing, water supply, rural electrification and so on for the benefit of the society. It helps in providing employment opportunities, increase in the national income and standard of living of the society.

Life insurance in the global scenario:

Life insurance contributes significantly to the growth of any nation. With the largest number of life insurance policies in force in the world, India’s insurance sector accounted for four point one per cent of GDP in 2006-07, up from one point two per cent in 1999-2000, far ahead of China where insurance accounts for just one point seven per cent of the GDP and even the US where insurance penetration stands at four per cent of the GDP and in the year 2007, it reached four point seven per cent. (www.idil.com/insurance.html, 2009).

The two prime indicators which helped in accessing the status of an insurance market are insurance density and insurance penetration.

Insurance penetration is used as an indicator of growth potential. It expresses the relationship between insurance expenditures and economic production per household.

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Figure 1: International Comparison of Insurance Penetration

(Premium as a percentage of GDP)


Insurance density is measured as the ratio between the total premium income and the population. The following table depicts the insurance density of the various nations.
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<td>292</td>
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Figure 2: International Comparison of Insurance Density
(Premium per capital in US Dollar)

The low level of insurance density and insurance penetration in India could be due to several factors such as low per capita income, low awareness of the benefits of insurance and the supply of insurance. But still there is a vast potential for insurance in India.

2.2 Review of Life Insurance’s Studies:

Kotler, P. and Armstrong, G (1996) define a service as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

In the words of William J. Stanton, et.al., (1994), services are identifiable, intangible activities that are the main object of a transaction designed to provide want-satisfaction to customers.

Jha, S.M., (2003) define a services include core services which may be the necessary outputs of an organization that intend to provide the intangible benefits to customers and the peripheral services that are indispensable for the execution of the core service and enhance the overall quality of the service bundle. The term insurance marketing refers to the marketing of insurance services with the motto of customer-orientation and profit-generation. The insurance marketing focuses on the formulation of an ideal mix for the insurance business so that the insurance organisations survive and thrive in a right perspective.
Mishra, K.C., and Sumitra Mishra (2000), have analyzed the position of insurance in USA, Japan, U.K, and Germany, which are considered to be the largest country level markets in the world. They have recalled the fact that, insurance service is one of the most important constituents of the economic development of the nations. They have emphasized the fact that, insurance plays an active role in promoting stability, facilitating trade and commerce, mobilizing savings, managing financial risks more effectively, encouraging mitigation of loss and allocating capital efficiently.

Shesha Ayyar (2000), opined that, it would take seven to 10 years for the private insurers to break-even, due to the fact that their operating cost which is high in the initial years would affect their profits.

Stuart Purdy (2003), has stated that the privatization process of the insurance industry has resulted in providing new opportunities in terms of employment, savings, new channels of insurance distribution and wider coverage to rural areas as well as the economically deprived sections of the society. The presence of the strong and unbiased regulator has contributed to the success of the industry. He has expressed hope that, the insurance industry would continue to grow by taking pensions, savings and insurance products to the door steps of more and more customers.

Tarun Kapoor (2003), identifies the major challenges ahead of the insurance industry to be: product innovations, distribution network, customer service and education. He has suggested that, in order to be successful, the insurance companies have to be innovative, select the right type of distribution channel, offer continuous training, educate the customer, provide quality service to customers and follow prudent investment pattern to increase the customer base.

The study undertaken by the Swiss Reinsurance Company (2003), has revealed that despite the growth in the premium, the penetration rate is very low and the biggest constraint on future growth has been the slow deregulation. Competition ignited by the private players, joint ventures formed by the global insurers with domestic partners and product innovations have been the achievements of deregulation. However, the untapped potential of the domestic market, high level of regulation and
ensuring balance between the public and private companies have been identified as the major challenges.

K. Spandana (May 2003): ‘The Potential of Rural Life Insurance in India: Problems and Prospects’, Journal of Insurance and Management, BIMTECH, Vol. 3 No. 5: This research work on the commercial viability of doing insurance business in rural India clearly indicated that the rural sector is a vibrant market, and that it holds tremendous potential for the growth of insurance business in India. However, the penetration of insurance in rural India remains pitifully low. This study aimed at exploring the potential of life insurance in rural India with all its problems, complexities and variables, and suggesting the means and ways of meeting the challenge of developing the rural insurance business in tandem with its potential of economic growth.

Survey conducted by the Life Insurance Corporation (2004), on life insurance awareness and customer perception revealed that, 93 per cent of life insurance customers would recommend Life Insurance Corporation to their children; 70 per cent of the private insurance customers would go for further insurance through Life Insurance Corporation only; 89 per cent of Life Insurance Corporation’s customers felt that Life Insurance Corporation is the pride of India and 91 per cent regard Life Insurance Corporation to be the financially sound company in India. It was suggested to undertake a massive customer awareness campaign.

The outcome of the interview conducted by the Insurance World (2004), was that, 52 per cent of the people interviewed did not have any insurance policy but were willing to take policies if given proper guidance and 48 per cent had some policy. Nineteen per cent of the people did not believe in insurance, four per cent had absolutely no knowledge about insurance and 12 per cent were well aware of the benefits of insurance and believed it to be a good security.

Sunder Ram Korivi (2004), in his article “Insurance sector in India-challenges ahead” has stressed on the need to assess the true insurance needs of an insured and to guard against the policy lapsing. He has also emphasized the need to redirect the funds into investments that will have stable cash flows.
In “The need to cover the death risk should be predominant of all the needs”, by Mr. S. M. Manchanda, (2004), here we must know that in term insurance longer the term higher the risk to the insurer and also higher the premium to be paid by the insured. The disadvantage in buying a short term insurance plan is that after expiry of the term, the insured may not get another term insurance protection due to becoming uninsurable by getting afflicted from some disease or disability or sickness and also because of higher age and some other adverse health reason, he might have to pay much higher premium. Now the new insurance companies are giving choice to the customers to select the quantum of death benefit as well as saving benefit within the same premium. There are number of products available with each insurer. All that is needed is to educate the customers of different products to suit their special needs. But the need to cover the risk of death should be predominant of all the needs.

Sanjiv Marwah, Alok Saklani (June 2004): ‘Comparative Analysis of Agent’s Perceptions In Public and Private Sector Insurance Companies’, Journal of Insurance and Management, BIMTECH, Vol. 3 No. 6: This study says that privatization in Indian Market has thrown open the long closed Insurance sector open to competition. Life Insurance company (LIC) of India, the virtual monopolistic company has some company, now. With the choice being made available, the market must evolve fast. This study attempted to evaluate the changes ensuing privatization, especially in the area of customer service, at the end of the agent, who is the representative of the insurer and the direct interface with the customer. With this view, the agents’ perceptions and expectations have been studied as the researchers feel that these beliefs are bound to affect their (agents) service orientations and behavior. The following issues have been addressed: 1) whether the agents of new players differ from those in the public sector in terms of profile and behavior, 2) whether the new major players in life insurance business are delivering superior service as compared to the existing public sector player (LIC), in the eyes of agent. The results, indicated that agents in private sector have high perceptions about their companies and rate them above the public sector player in terms of performance which has been verified in the relevant statistical tests, carried out. From a managerial perspective, agents’ beliefs and its role in improving customer satisfaction and
customer loyalty is vital. The paper touches these issues and also provides recommendations.

**Anil Chandok (2005), in his research paper, “A comparative study of the performance of life insurance players”,** has analyzed the quantum of business procured by the private players and the total business done. The study revealed that, the public are very careful in selecting their insurers. Private players are still in the stage of extending their operations in many areas and in metropolitan cities and the market share of the private players is better when compared to the figure of India as a whole. He has concluded by saying that, with proper orientation the private insurers would be able to grow.

**Rajesh C. Jampala and Polavarapu Adilakshmi (2006),** have identified the major challenges, for Indian Life Insurance Companies, to be stringent solvency norms, expense over runs, new business strain, low agent productivity, high attrition level of agents, low average premiums and high competition in the market place. They are of the opinion that, there is a great potential for insurance business as the penetration level of insurance to Gross Domestic Product is very low, and selection of the right quality of business would ensure success for the private players.

**According to Geethanjali Mehlwal (2006),** Life Insurance remains the primary focus of the state as well as non – state players. The government plays an active role by removing investment barriers and maintaining market checks through Insurance Regulatory Development Authority. The author has stated that, India’s enormous population, abundant infrastructure facilities and globally visible corporate success add to the country’s prospect for insurers looking for huge future demands and alternatives to already tapped markets.

**Kishore, R.B. (2006),** has highlighted the success story of Life Insurance Corporation. According to him, the Life Insurance Corporation has recorded a successful growth rate of 20.6 per cent due to the introduction of time-tested traditional products and market-savvy unit-linked plans in tune with the market demands. He identifies an upward trend in terms of number of policies sold, sum
assured and the total assets held by the Life Insurance Corporation. He has expressed hope that, with the vast network of the agent force, the Life Insurance Corporation would march ahead to maintain its supremacy.

Richard Holloway and Rajagopalan Krishnamurthy (2006), are of the opinion that, the success of rural insurance business in India centers around innovative product design, increasing penetration, finding effective and lower-cost distribution channels, education, access and affordability. The risks involved and the adverse experience prevailing in rural area should be considered while intensifying efforts to tackle the rural market. The authors insisted on the introduction of suitable products at a right price and the usage of best practice actuarial technique to re-price and redesign the rural products as necessary, taking into account the actual experience that emerges.

Lalitha Sreenath, M.R. Sreenath (June 2006): ‘Keyman Insurance: Cover against Loss or Tax?’, Journal of Insurance and Management, BIMTECH, Vol. 5 No. 10: This study found that in knowledge-driven industries, the need to indemnify the monetary losses that may accrue on the sudden death or exit of key person in the organization has led to the emergence of new life insurance product – keyman insurance policy. However, with the reduction of the corporate tax liability from 35 to 30% by the Indian Government for the fiscal year 2005 -06, this legitimate risk management tool has been grossly abused in Mar. 2005 for avoidance of tax. Hence this study attempted to trace the development of this cover and the concepts used in the valuation of this product, the gross abuse of the tax laws by the corporate and the steps needed to rectify the situation.

Pillai, VNS., (2007), has analyzed the relevance of life insurance at various levels. According to the author, the best investment that offers income replacement on the occurrence of the sudden demise of the breadwinner is life insurance, for it offers security of capital. He has expressed hope that, the demand for Unit linked insurance policies would increase when compared to that of other products. According to the study conducted, the flux of new products is primarily a response to the recognition of the latent needs of the customers.
Shiv Kumar Singh, et al., (2007), have made an attempt to focus on changing scenario of Indian Insurance Industry, as it has become a challenging task for the Insurance companies to sustain their competitiveness on a continuous basis along with winning the customer trust. The author has opined that, deregulation in Indian business policy has resulted in increased number of players in the market and hence, the competition; this has created a new business ambience where benchmarking can originate customer–oriented innovative policies. The study arguably states that, a competitive market should be able to ensure that quality and fairly priced products are made available. Government intervention is most needed to ensure that insurers are reliable, because the national insurance industry contributes to the overall economic development.

The report released by the Economic Times (2008), has analyzed the growth in the insurance sector after privatization. According to the report, the key driver for growth in the life insurance business was the trend towards single premium business and pension and annuity products. The industry was shifting from providing traditional products to the above mentioned sectors due to the ageing population and reduction in the social security benefits, the report has stated. McKinsey Company (2008), in a report reveals that, with household earnings accelerating in the fast-growing economy, the life insurance income by way of premium could double from 40 billion dollars to 80 billion or even 100 billion dollars by 2012.

R. B. Drennan, Michael R. Powers (June 2007): ‘What Is Insurance? Toward a Theory of “Aloof” and “Quasi-Aloof” Financial Risks’, Journal of Insurance and Management, BIMTECH, Vol. 5 No. 10: The study says that a number of scholars and practitioners have argued that financial-services integration is inevitable because there is little meaningful distinction between insurance risks and other financial risks. However, institutional realities appear to defy this assessment, as the expansion of bancassurance has proceeded little beyond the insurance sector’s personal lines, and successes with insurance-based securities have been very limited. In this study, they provided a formal distinction between conventional insurance risks and other non-insurance financial risks by showing that the former category derives from a set of “aloof” and “quasi-aloof” risks that are qualitatively different from the latter category’s “non-aloof” risks. While they did not argue that the difference between
these two categories of risk is so profound as to prohibit the convergence of financial markets, they do believe that this difference serves as a useful touchstone for insurers, investment entrepreneurs, and government regulators in evaluating various financial markets.

M. Dhanabhakyam, K. R. Vijaysanthi (June 2007): ‘Customer Awareness Towards LIC Policies in Coimbatore City’, Journal of Insurance and Management, BIMTECH, Vol. 6 No. 11: The study says that in the new economic reality of globalization, insurance companies face a dynamic global business environment. Radical changes are taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with new risk situations, and unconventional and innovative ideas on customer service. Low growth rates in developed markets, changing customer needs, and the uncertain economic conditions in the developing world are exerting pressure on insurers’ resources while testing their ability to survive. The existing insurers are facing difficulties from nontraditional competitors that are entering the retail market with new approaches and through new channels. The basic premise of globalization is opening up of new service markets to provide the developing countries with new opportunities for the expansion of trade and economic growth.

Ankur Garg, Apoorva Tiwari, Goutam Dutta, Sankarshan Basu (June 2007): ‘A Stochastic Linear Programming Model for Asset Liability Management: The Case of An Indian Insurance Company’, Journal of Insurance and Management, BIMTECH, Vol. 6 No. 11: The study says that Asset - Liability management is one of the most critical tasks for any financial institution, determining its cushion against the risk and the net returns. The problem of asset liability management for an insurance company requires matching the cash inflows from premium collections and investment income with the cash outflows due to casualty and maturity claims. Thus, what is required is a prudent investment strategy such that the returns earned on the assets match the liability claims at all points of time in future. Conventionally, the asset allocation has been done using the Mean Variance approach due to Markowitz. While such a strategy ensures takes view of risk discussed by Markowitz, it does not maximize the net worth of the firm nor does it take care of all the cash inflows and
outflows over a long term period. They developed a stochastic linear programming model that maximizes the net worth of the firm and also takes care of the uncertainties. While there are instances of stochastic linear programming being applied for ALM in financial institutions in developed markets, no such practical application has been reported in this area in Indian context as yet.

- **MARKETING MIX:**

Marketing is a basic function of all business firms that aim at profit generation and customer satisfaction. It is the kingpin that sets the progress of the economy by providing want satisfying products and services. Marketing encompasses all activities carried on to transfer the goods from the manufacturers to the customers. It involves the exchange of goods and services for money. Determination of requirements of potential customers and supplying products to satisfy their requirements is the crux of any marketing activity.

According to American Marketing Association (1960), marketing is concerned with the people and the activities involved in the flow of goods and services from the producer to the consumer”.

Marketing mix strategy is an overall marketing approach that is used to achieve objectives of strategic marketing plans. Marketing mix is a combination of four elements - product, price structure, distribution system and promotional activities used to satisfy the needs of an organization’s target markets and, at the same time achieve its marketing objectives. (Stanton, 1994).

Marketing mix serves as the linkage between a business firm and its customers. It is a system comprising subsystems of product, price, promotion and distribution. It is used as a strategy in developing marketing planning and for integrating various functions and fitting them into the total fabric of the organization. It is a dynamic concept, that keeps on changing with changes in the market conditions and the environment.
As Kotler puts it “marketing mix represents the settings of the firm’s marketing variables at a particular point of time.” (Philip Kotler, 2005).

Mishra, K.C. (2000), has viewed bancassurance as an effective distribution channel. He has stated that the bank-named insurance products capture the trust of the customers and bank brand names helped the staff to sell the products easily. He has quoted the experience of different countries in bancassurance. He has expressed hope that if, the right customer is targeted, distribution possibilities are maximized, insurance products are integrated into the bank culture, relationship managers are used for selling the product and the right products are sold, bancassurance would be successful.

In “Marketing of Life Insurance product”, by Dr. A.Vinayagamoorthy, M.Com. M.Phil. M.Ed. PGDCA. Ph.D (2002), says that in the global era, Insurance companies are increasingly willing to spend more on the customer satisfaction and brand building exercises. Though it is one of the highly regulated industries, it still provides lot of scope for creativity and innovations. As our industry is predominantly dominated by personal selling and personalized services many a time the service standards vary based on the intermediary involved in the process. In order to achieve the competitive edge over others standardize the process and bring about quality improvement and get feedback from the customers regarding the quality of services rendered. This will result in customer satisfaction, customer retention, customer acquisition, employee retention and cost reduction. This paper focuses on the marketing approach adopted by the modern insurers to withhold their existing customers and attract new ones.

Mittal, R.K. (2002), has revealed that 10 per cent of the agents procured 90 per cent of the business and the remaining 90 per cent of the agents procured the remaining 10 per cent of the business. He forecasts that private insurance companies are likely to target village population that is hitherto untapped as there is enormous potential business in this area. If awareness towards insurance is ignited vigorously, the untapped potential business can be translated into actual business.
Anand, M. (2002), in his paper titled “Indian insurance industries-Channelizing growth” has stressed on the need to handle the insurance services through a customer-friendly distribution network. He prescribes the following avenues for the insurance companies to penetrate into the insurance market: providing innovative products to the customers; building strong and effective relationships with the customers by having the right mix of distribution channels; providing professional customer service in terms of quality advice on product choice, along with policy servicing and following prudent underwriting practices and cutting down the administration and management costs.

A macro level study on the topic “Rural Insurance- Issues Challenges and Opportunities” was conducted by FORTE - Collaboration between Federation of Indian Chamber of Commerce and Industry and ING Vysya Life Insurance Company. The objectives of the study were: To understand the rural customers’ knowledge, attitude and practices regarding savings, loans and insurance, to identify the factors prohibiting the purchase of insurance policies and to develop a broad cost effective distribution strategy. The findings were: Rural sector offers a huge business opportunity for insurance companies; over one third of the respondents have insurance, with life insurance having the maximum penetration i.e., 27 per cent; awareness about life insurance is near universal; 51 per cent of the respondents have expressed their intention to purchase a life policy, nearly 20 per cent of all farmers in rural India own Kissan Credit Cards, which offer a huge data base and opportunity for insurance. An extensive rural agent network for sale of Life insurance product exists and the agent plays a major role in creating awareness, motivating purchase and rendering other insurance services. Seventy eight per cent of the respondents prefer various combinations of life insurance like life and accident, life and loan, life, health and accident; Security of income and bulk returns, especially for their daughter’s marriage and children’s education are the persuading factors for taking life policy. The study group also stated that, while individuals are undecided about purchasing insurance from private players, members of different groups show interest in purchasing group insurance through a private player (Naren N. Joshi, 2002).
According to a survey conducted by a leading marketing research firm, ORG Marg A private insurance advisor, in 2001, (2002) on “Life Insurance Marketing in India (A) The Changing Advertising & Promotion Norms”, - “Instead of pushing policies down the throat we educate the customer and offer guidance on how much insurance the individual needs, an approach that is slowly paying off.” According to a survey conducted by a leading marketing research firm, ORG Marg, brand awareness of private insurers in India was increasing in the early 21st century. The difference in the level of awareness of these new players as compared to the hitherto monopoly of LIC was decreasing fast because of the aggressive advertising measures adopted by private insurers.

Ashish Sadh, Soniya Billore (May 2003): ‘Brand Building and Advertising: approaches in Indian Life Insurance Industry’, Journal of Insurance and Management, BIMTECH, Vol. 3 No. 5: This study found that financial service brands are based on ensuring long term financial security through a broad range of inherently risky services and investment options. In the insurance sector, branding has typically involved the concepts of stability, trust and protection. If there was one industry in India which least considered branding as an essentiality, it would be the insurance industry. However, with liberalization of the industry, players have to realize the need for branding in a competitive environment. Insurance companies need to strive to build a brand in order to attract both the end customer and intermediaries. This study was intended to analyze the advertisements and to know through a set framework and model how closely the present day advertisements fall in line with what has been proposed in theory. It is meant to understand the features that come up in the Insurance product advertisement in the Indian industry and how closely the advertisements are in line with what has been theoretically prescribed as ideal way of communication for the Insurance products. The results of the analysis will be particularly useful for the players of the insurance industry, the media world and academicians.

According to Shikha Sharma (2004), the biggest beneficiary of the competition among the life insurers has been the customer. The privatization process has resulted in new levels of transparency and information sharing in product as well as the process. Hence, the life insurer must first analyze the needs of the customers and align
his activities according to their needs. The challenge before the life insurers is to make the service a differentiating factor, through people and technology and to reconcile the business needs with the needs of the customers.

Tripathy, NP. (2004), has conducted a study called “An Application of Multidimensional Scaling Model towards Brand Positioning of Insurance Industries: A Study of Private Players” with the following objectives: to find out the perception of customers towards insurance companies through marketing variables; to analyze the preference of customers and the importance they assign to different attributes; to examine the satisfaction level of respondent customers and agents regarding customer services offered by the company; and to determine the position of different companies in the minds of the people. The finding of the study is given as follows: investors like to invest in private insurance companies because they are provided with a choice of products, servicing of policy and claims settlement. Among sources of awareness for investments majority of the investors preferred to use financial journals and business magazines for investment decisions. High reputation and good customer relationship management are the important criteria for influencing investment decisions in insurance. High degree of investors is dissatisfied due to non-availability of flexible mode of premium payment through credit cards, smart cards, internet etc. The author concludes that, to achieve greater insurance penetration, private sector insurance companies have to create a more vibrant and competitive industry, with greater efficiency, choice of products and value for customers.

Bodla, B.S. and Sushma Rani Verma (2004), have conducted a study to examine the preference of the policy holders towards various types of policies and to probe into the reasons behind the insurance purchase in rural areas. Two hundred policy holders were taken for the study. The major findings were: risk coverage and future contingencies were the main reasons for purchasing life insurance policies; Life Insurance Corporation had the major market share among various life insurance players; money back policy was the most preferred followed by Jeevan Anand; advertisements didn't have much impact and the women segment was still untapped.
Rajesh .C. Jampala (2005), has stated that, in order to reach the market private insurers concentrate on product innovation, customer service and selected distribution channel. Multi-channel distribution and marketing of insurance products have been the strategy of new players in the Indian insurance market. According to the author, direct marketing channels have been identified as a relatively inexpensive and easy launch potential distribution channel. The agency force has immense potential due to the complexity of products and the difficulty in selling them. Bancassurance that symbolizes the convergence of banking and insurance, has been viewed as bonanza in terms of reduced premium charges, a high quality product and delivery at the door step. Internet facility is considered to be a better choice for conducting research on consumer information and for getting feedback from the customers.

Sree Lakshmi, V. (2005), conducted a study, on behalf of HDFC Standard Life Insurance Company, with an intention of learning as to why people purchase insurance policies. The study revealed that, 30 per cent of the respondents obtained insurance for tax benefits; 30 per cent purchased insurance for economic security; 14 per cent to avail pension benefits or for old age financial security and eight per cent bought for other reasons. Out of the 250 respondents chosen from Hyderabad and Secunderabad, 48 per cent of the respondents stated that, they had an insurance policy, which showed that insurance awareness was prevalent among the people. The study revealed that, people are skeptical about private players; awareness about the insurer [HDFC Standard Life Insurance Company] was low, hence, the reach was very much limited. It was recommended that, the company should encourage potential Government and private employees with various benefit packages and the company can target more on female population, effective promotional strategies are to be undertaken; and periodic market surveys should be conducted in order to update the customers’ perception about life insurance.

Krishna Kumar (2005), highlights Life Insurance Corporation’s penetration in the rural market, the problems encountered and the schemes offered for the rural poor. He has stated that, there is significant growth in the total premium income collected from rural areas. He has identified the hurdles faced by the Life Insurance Corporation as: poor general awareness, lack of proper documents, inadequate market coverage, lapsing of policies and health care problems. However, he has expressed hope that,
Life Insurance Corporation with its huge network would enhance its spread to cover wider areas especially the rural masses.

Chari, V.G. (2005), has stated that the insurance industries’ marketing efforts have been focused on the urban middle class and affluent sections. He has recalled the IRDA’s norm which states that, insurance companies should concentrate on rural and social sectors also. He has opined that, the cost-effectiveness and conversation efficiency of distribution strategies are crucial in ensuring the success of insurance business. He has suggested that, insurance should be made mandatory by the Government taking into consideration the income levels and affordability of the people.

Rajesh, C. Jampala and Venkateswara Rao. B.H. (2005), have identified product benefits, competitive premiums, product differentiation through promotion and claim settlement to be the key success factors of the insurance sector. According to them, claim settlement is the major factor for the success of Life Insurance Corporation. They have also felt that its claim settlement operations are fair and transparent. The corporation has been prompt in settling the claims due to excellent corporate image in the insurance sector.

Prakasa Rao, B.K.S., and Venkateswara Rao (2005), have examined the opportunities for the insurers in the rural market. According to them, majority of the rural population is left uncovered, a small bundle of innovative products designed to suit the rural needs and perceptions and an efficient delivery system would help in penetrating into the vast rural markets. They have also stated that, the establishment of micro branches and the appointment of specialized insurance agents would help the insurance companies to create awareness among the people and to induce them to buy the policies.

The study on “Life insurance marketing in rural segment” by Bimabazaar-Administrator, Dr. N. R. Nagarjan, (2006), says that the entry of private life insurers has changed the basic structure of the life insurance market in India from ‘monarchy market’ to a ‘competitive ground’. HDFC – Standard Life and ICICI – Prudential have been taking active and special interest in rural India to spread their
business followed by Allianz Bajaj, Met life and Aviva life insurance companies. ICICI prudential entered the rural market with a basket of policies specially designed for rural segment. The main strategy of private players to participate in the rural market is to offer small life covers with low premium and this strategy will give rich dividend to them by scoring the active participation of the rural mass. The astounding statistics is that life insurance in rural India is expanding almost five times faster than the urban demand. Efficient distribution channels and suitable products are the needs to cater the rural demand. Bancassurance, Post offices, and Panchayats are the right channels of distribution for the rural populace.

Nalini Prava Tripathy (2006), conducted a study on the topic “An Application of factor analysis approach towards designing insurance products in India.” The objectives of the study have been to examine the customers’ preference and priorities towards various insurance products, to identify the key features of insurance products and services attributes that are essential in the purchase decision of the customers and to suggest some measures to design the products that will satisfy the personal needs of the customers. It was revealed that, factors such as awareness of the product, service behaviour, advertisement, product feature and safety of the scheme played a major role in influencing the behaviour of the customers. The researcher has suggested that, the insurance companies should concentrate on the personnel procedure and the process in order to lure customers towards them.

Namasivayam, N. et.al., (2006), conducted a study on the topic “Socio-economic Factors Influencing the Decision in Taking Life Insurance Policies”, with the objective of analyzing the socioeconomic factors that are responsible for taking life insurance policies, examining the preferences of the policyholders towards various types of policies of Life Insurance Corporation and to offer suggestions for popularizing life insurance policies among the public. The major findings of the study stated that socioeconomic factors such as age, education, income, sex and family size of the policyholders played a major role making the purchase decision of life insurance policies of Life Insurance Corporation.
Paromita Goswami (2007), in the paper titled “Customer satisfaction with service quality in the Life Insurance Industry in India” has stressed on the implementation of Customer Relationship Management as it would help to acquire new customers as well as to retain the old customer. It is said that improved customer satisfaction would also result in positive word-of-mouth and consequently better customer acquisition and retention. It was found that the responsiveness dimension of service quality provides maximum customer satisfaction in the life insurance industry.

Amita Fatterpeker (2007), has categorically stated that, personal relationships, product quality, customer service, price and other brand values enable insurers to retain their customers. Relationship with the customers can be enhanced, by prioritizing the company’s strategies and operational goals, focusing on the issues most important to customer satisfaction and fine-tuning the sales messaging to reflect customer issues. So also being aware of the current level of customer satisfaction and discovering areas of concern. The author has suggested that, in order to further their own goals that would have a distinct advantage over the other companies, the insurance companies should pro-actively measure the success of its relationship with the customers.

T. VANNIARAJAN, R. S. BALASENTHIL (June 2007): ‘Evaluation of Quality Dimensions in Life Insurance Market: Customer Segmentation Analysis’, Journal of Insurance and Management ,BIMTECH, Vol. 6 No. 12: The study discussed that Indian insurance sector is the second largest mobilization of saving after banks and constitutes 15 per cent of Gross Domestic Product Savings. After Globalization and Liberalization, the private players came into the market and try to capture the market dominated by public player. Even though the life insurance market is one of the biggest in the world, there is a vast potential to be tapped especially in Rural India. The insurance players are trying to capture the rural market but failed to achieve since they are not properly designing the strategies to capture the market. Hence, the present study focuses on that aspect only. For that the Indian Life Insurance market is classified into four important segments namely urban and rural customers of public and private players. This study confined its objective to identification of important quality dimension in the market and also identification of important discriminate quality dimension among these four customers segments. The
study concluded that the important quality dimensions are service, agents, product and technology quality. There is a significant difference on the importance given on each quality dimension among the four groups of customers. In order to reach out all segments in the life insurance market, the insurance players formulate customized quality dimensions according to the need of the customers in each segment.

Reddy, C.R. and Vidyasagar Reddy (2008), have examined the reforms adopted in the insurance market with particular reference to Life Insurance Corporation of India. According to the authors, life insurance business should focus on Customer Relationship Management, diversification and globalization with new technologies so that the schemes of Life Insurance Corporation of India become more marketable for the development of the human asset. Hence, re-engineering human resource development for growth and services of life insurance business is an ingredient. Finally, it is said that, competence should not be associated with competition but for outcome of social welfare, nation-building and human resource development.

The paper entitled “A study on the consumer preference and comparative analysis of life insurance companies” by Devasenathipathi, et al., (2008), point out that with the entry of private players in life insurance the industry has become competitive. Both the public and private companies offer a wider choice in terms of products and services, and the awareness created among the public about the benefits and significance of insurance. It has been suggested that the private companies should reduce their premiums and increase the returns in the process of building their brand image.

Customer satisfaction is the agent’s continuing challenge since retention of customers is vital for long term growth states Ramamurthy, P., (2008), in his article, “Selling life insurance art or science?.” The author is of the opinion that, apart from the regular prospecting of customers the agent has to take up tasks such as, developing and presenting an appropriate plan for the prospects, implementing the plan and rendering after sales services. Thorough knowledge of the plans and identifying the needs and convincing the prospect are essential. Hence, life insurance selling is an art as well as science, he has concluded.
The Study on “IRDA norm impacts Ulip pension offers”, by Mayur Shetty (2011), discusses that Sales of pension schemes under unit linked insurance plans (Ulips) have almost come to a halt following the insurance regulator's decision to prescribe a guaranteed return under such plans. Insurers feel that new regulations would force them vacate the pension space. He found that most insurers feel that introducing a guaranteed return works against a policyholder's interest in the long run. "A guaranteed return policy would require the fund manager to invest in fixed income paper like government securities. But it is widely accepted that equities will provide returns in line with GDP growth, while interest rates will fall as inflation dips and the fiscal deficit narrows," said a fund manager with a life company. He also found that some insurers believe that the guaranteed returns directive was aimed at distinguishing pension plans from mutual funds in the wake of the dispute between SEBI and IRDA last year over Ulips, which SEBI said were akin to mutual funds. Although the finance ministry resolved the dispute in favor of the IRDA, the insurance regulator subsequently took pains to draw a line distinguishing insurance products from mutual funds.