CHAPTER - II

REVIEW OF LITERATURE

INTRODUCTION

The studies relating to Marketing of Life Insurance are more. The available studies are in the form of research articles, committee reports and surveys conducted by Insurance Company. No comprehensive study has been taken up so far on Life Insurance marketing. An attempt has been made here to briefly review the previous studies made in the area of marketing of life insurance.

Khan\(^1\) in his study attempted to know the opportunities and prospects in the career of a life Insurance salesman. He explains what a good career is about and how a good career should be. For selling of Life Insurance, there is no age barrier for the agent and he is need no previous occupational experiences but only tend to be attractive, professional and create opportunities in building personality. The relationship of the Life Insurance Salesman with the clients is not temporary and the services rendered have no substitutes. He observes that Life Insurance salesman remains in a sense permanent because the clients put all the problems and worries in the hands of Life Insurance salesperson.

The National Council of Applied Economic Research (NCAER) New Delhi conducted two surveys in 1988 and 1989 on "Appraisal of quality service in service organisations" and "Quality services in LIC" respectively. These two studies were sponsored by the LIC.

In the first study, an attempt was made to find out the quality of services from the point of view of the consumers. Five factors, i.e., time lags, target completion, service without being knocked around, courtesy and guidance constitute quality service from the consumer's point of view. The consumers expect the following from the employees to determine the quality of service. They are i) Reliability, ii) Response, iii) Capability, iv) Politeness, v) Communication Skills, vi) Safety, vii) Trustworthiness and viii) Understanding.

The second study was conducted to assess the quality of service rendered by LIC. The foremost object of the study was to appraise the quality of service rendered by the Corporation from the point of view of policy holders. The findings are as follows:

a. The policy holders’ general feeling is that the demand notice must be sent in time. Nearly seventy-five per cent of rural and eighty percent of urban policy holders receive the premium demand notice in time from the corporation.

b. Ninety-four per cent of rural and thirty-five per cent of urban area policy holders receive their premium receipts regularly. Under the SSS ninety-six per cent in rural area and ninety-three per cent in urban area remit their premiums regularly through

monthly deductions.

c. Regarding the change of address twenty-six per cent of policy holders in the rural areas and thirty-four per cent of policy holders in the urban areas get it executed in less than 10 days of time. Some fourteen per cent had a problem in change of address.

d. Only a few per cent in rural areas and 20 per cent in urban areas have knowledge about the bonus rate announced by the Corporation from time to time.

e. Some policy holders rated the quality of services as 'excellent' and the main reasons for this are Smooth procedures and formalities, premium notices are sent in time', Good services at the cash counter while making payments and even small problems are solved in short time.

   Few policy holders rated the services as 'poor' because of very poor maintenance of records, tedious and lengthy formalities in some services, defective loan sanctioning procedures, discourteous behaviour of employees, delay in claims settlement and heavy confusion in transfer of policies, alterations and the like.

   Rajkumar\(^3\) is of the opinion that advertising is to influence a customer who has a limited spending power, seem to operate only through familiarizing, spreading news, overcoming inertia and image building. The prime objective of advertising is to build corporate image, improve market share, educating, informative and 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 is rarely a purchase made willingly and the treatment by LIC to the public is always unfair.

SheshaAyyar V in his article entitled "Product Development", has discussed various issues connected with developing new policies such as the importance of developing new Schemes and various problems involved in the developing the new schemes in LIC. He suggested the need for including ancillary benefits in the policies such as accident benefits, disablement benefits and hospitalization benefits.

Rajan Saxena in his article entitled "Marketing of Life Insurance Services" discusses various issues relating to life insurance marketing. The author insists on the importance of applicability of marketing concept to the life insurance and discusses various strategies in the marketing of life insurance.

The Insurance Institute of India prepared a project report on Marketing of Life Insurance (1987). This project was undertaken to examine the following aspects:

- Extent of life insurance coverage among different segments of the population.
- Awareness, attitudes and beliefs of people on life insurance and LIC.

• Perceptions of the field force and staff of the LIC.

• Sense of identification of employees (including agents) with LIC.

The following are the important conclusions arrived at from the study:

i. Life insurance is a better avenue of investment than bank deposits. National Savings Certificate is less popular than bank deposits and life insurance everywhere in all groups. Investments in shares, deposits or debentures do not matter much.

ii. Forty per cent of the uninsured think that they did not need insurance and twenty per cent had not been approached. Thirty per cent think that insurance is too costly.

iii. Agents do not maintain regular contacts with policy holders. Those who do maintain regular contacts, do so once in a month. But most of them are available whenever they are called. iv. Most of the policy holders have bought policies to provide security to the family.

Only about a third has bought to obtain tax concessions. v. About one-seventh of the insured policy holders are not sure of the benefits under life insurance. Most of the policy holders think the bonuses under the policies are good. vi. One-third of the respondents have reservations about the LIC’s sincerity in settling claims promptly.

The planning wing of the LIC Divisional office Thanjavur, conducted a

sample survey on "Customer Satisfaction". The objectives of the study were to find the level of consumer satisfaction regarding the services of LIC, particularly on the aspects such as timely dispatch of discharge forms, reminders, the cooperation given by agents or development officers, courtesy and sympathy of LIC officials, receipt of the policy amount within the due date etc. The results of the study revealed that:

a. Discharge forms are received before the due date by seventy-nine per cent of the policy holders.

b. Eleven per cent of the policyholders approached the agent or development officer for help and they are happy with the services rendered by them.

c. Twenty-one per cent of the policy holders submitted the requirements after receiving a reminder from the branch office.

d. Six per cent of the policyholders approached the branch office for the discharge forms.

e. Two per cent of the policyholders revealed that they have to visit the branch office for the cheque as there was a delay.

f. Ninety per cent of the policyholders were satisfied with the prompt service rendered by the branch office.

g. In the case of one policy holder there was a delay of more than two months due to the delay in the transfer of loan docket from the other division.

h. Some policy holders stated that the Corporation should insist the agents and development officers to render all possible help to their clients at the time of claim and survival benefits settlement.

The overall conclusions from the above study were:
a. There is an imperative need for keeping up the tempo of maturity claims settlement operations at the present level.

b. It is desirable to verify the policy ledgers every fortnight for omissions in the computer list so that the delays can be reduced and all the claims can be settled before the due date.

c. A few policy holders, who expressed their grievances at the delay, could have been satisfied, if some courteous and prompt attention had been paid to them when they came to the office.

Mishra, M. N.\textsuperscript{8} made a study to appraise the marketing strategies of LIC of India. While reviewing the marketing strategies, the author felt that before 1980 LIC did not give much attention to the objective of customer satisfaction. But from 1980 onwards, the Corporation has taken several remedial measures to provide better customer services and improve the consumer satisfaction. However, the author has noted the following weaknesses in LIC:

a. Existence of more number of dormant agents

b. Inactive agents have increased over a period of time. The inactive agents have swelled to 37 per cent in the past five years.

c. The existing strength of LIC agents has not been properly utilized.

d. Lack of training and motivation.

The study concluded that there were many opportunities to develop new products to devise new services, to find new ways of distributing products and to discover new and creative means of promotion.

Ashis Deb Roy\(^9\) in his article entitled "We care for Our Customers" has examined the nature and importance of better customer services to policyholders and has emphasized the need for quality in service. He has given a detailed note on the various steps to be taken by LIC to improve the customer service such as training programmes conducted by LIC to its agents and employees, opening new branches and introducing of computers in LIC branch offices.

Venkatesh\(^10\) in his article entitled 'On the Trail of Better Service" has discussed the importance of better and personal servicing to the customers and has emphasized the importance of satisfying the policy holders.

Rao B. S. R. and Apparao Machiraju\(^11\) in their article entitled "Life Insurance and Emerging Trends in Financial Services Market" contends that the agents of life insurance should improve their services to the level of financial expert. Agents should change themselves to the current economic environment where they do their work. The authors felt that the change in the economic scenario would help the Corporation in the marketing field.

\(^9\) Ashis Deb Roy., “We Care for Our Customers”, Yogakshema, April, 1987, pp.4.
Raghunadhan\textsuperscript{12} in his article “Population Insurable and Insured” made an attempt to analyse the insurance coverage of the insurable population and concluded that more self-employed and agricultural labourers are to be tapped. The author gave a suggestion to improve and introduce new schemes to satisfy the groups.

Patki V. V.\textsuperscript{13} in his article, “Rural Marketing”, discussed the problems of selling the life insurance in the rural areas and gave many suggestions to penetrate into the rural market. The suggestions are participation in village fairs, using audio-visual methods and explaining the merits of the life insurance to the villagers etc.

Shejwalker\textsuperscript{14} in his article, "Training in Life insurance Marketing", discussed the importance of trained agents force to develop the life insurance business. He stressed that present selection pattern of the agent should be changed. He expressed his opinion that a private or an independent institute should be invited to impart training to the agents.

Kirubasini\textsuperscript{15} in her study attempted to know the level of awareness, preference, and influence factors pertaining to policy holdings. The studies revealed that majority of the respondents are aware of the Endowment Assurance Policy and considered to rank it as a number one. The study also revealed that there was a significant relationship

between factors and policy holdings.

Seetaramaiah\textsuperscript{16} in his article entitled "Fluctuations in New Business" identified the reasons for heavy workload on new business during the year ending period. He suggested some steps to overcome them. They are closing the half yearly accounts in September, giving heavy discount for the premium received in the first quarter, giving a special rebate of premium in the lean months, and completing the promotion and posting of officials by the first week of April.

The Author Gidwani\textsuperscript{17} tries to find the probable solutions 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, the 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. Secondly, to calculate the individual average earnings from future personal effort over the remaining years of productive lifetime. Thirdly, total expenditure met during lifetime represents cost of acquisitions of human assets which is productive in subsequent year.

Appi Reddy and Narasimha Murthy\textsuperscript{18} have attempted to examine the marketing practices followed by LIC in rural areas and problems involved in providing the services. The organization appoints development officers with responsibility in a


\textsuperscript{17} Gidwani.S. J., “How Many Life Insurance Does a Man Need” Challenged Secretary, January, 1996, pp 31-32.

specified territory (Tryst with Trust) and special promotional efforts like field publicity vans, film shows, exhibitions etc., are insisted. Only 4.55 crore people have been insured against the insurable population of 21 crores (AppaRoa) in spite of consistent efforts. The problems encountered are among 7 segments, agriculturists are not identified, and schemes are not available to suit lower and irregular income groups. Some policies are low cost plans without profit like BimaSandesh. Lastly, the rural people felt that buying policy is costly and it added additional problems.

Madawat\(^{19}\) studied the changes that had taken place between two decades in Life Insurance with particular reference to policyholders’ weal and woes. The twin objective at the time of inception was to provide protection to all the section 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 of 128.3% in the year 1995-96, 17.77% the net lapse ratio was due to misguidance of agents and development officers but targets were fixed realistically to bring down.

Shekar Chandra Sahoo\(^{20}\), in his article, 'Future marketing Strategies for Life Insurance", discussed various issues relating to life insurance marketing. He has given a detailed note about new kinds of products and intimacy with the market and a constant


technology adoption for survival as well as for a consistent growth. Innovative business concepts will have an even more powerful impact on the organizations future and its place in the global market.

**Raghu Gulati**\(^1\), 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 follows when launching insurance etc is studied. The study reveals that LIC has deeply penetrated into urban areas, but the people are under insured. Yet, there exists potential to increase the coverage of insurance. Fifty percent 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 need of basic insurance product then the company should come forward to launch Term products to match their profit with risk and to launch Unit Link Product etc.

**AjitRanadе & Rajeev Abuja**\(^2\) presents an overview of the operation of LIC in India and identifies the strategic issues in liberalization and the entry of private players in Insurance. The author brings out the need of private players to enhance efficiency in operation, to achieve a greater density and to penetrate of Life Insurance mobilizing long terms savings for infrastructure projects in a tabular format with percentage.

\(^1\) Raghu Gulati., “Study of Life Insurance Market Products of Customers” (GE Capital, India), 1999.

Though, LIC is in an advantageous position when compared with private entries. Yet, it has to bring in changes demand for pension, demand for variety of products and freedom in investment, in order to survive and adapt to the liberalized scenario.

**SheshaAyyer. V**\(^{23}\) in his article entitled 'New Insurance products in the next Century' expressed his views about new products. His views are as follows:

a. The possibility of the aged living too long has become real because of advancement in medical facilities. Pension schemes have thus become popular though at a slow pace. This is an area which is yet to be exploited and popularized.

b. The concept of the role of insurance agencies is also witnessing evolutionary changes. A life insurance agent is expected to call up and to advise a family on house holders' policy. This kind of service will improve the liaison between the agent and the prospective policy holders.

c. The poignant human drama of divorce can be a potential gold mine for venturesome insurers. Divorce rates are increasing and the husband or wives find it difficult to support the children on single income. The insurer can look into the problem and introduce new schemes to fit them.

**Vijayavani J.**\(^{24}\) in her prize winning technical paper entitled "Cost effective Distribution Channels of Life Insurance Products" discussed the various methods to

---


improve the channels of distribution. They are as follows:

a. The concept of floating rebate schemes to the customer not only spreads insurance coverage but also attracts extra customer.

b. By using E-Commerce concept, the insurance vendor can introduce the online market information, online premium payment, online complaints, online transfer of policy etc. This may require further advancement in the existing software technology with LIC. The number of internet users is also bound to grow dramatically. So LIC can provide this type of facility to its customers and reduce the distribution cost.

c. Accepting business through direct agent may reduce the cost by avoiding another tier in the distribution channel, i.e. Development officers.

d. Agent's Rule 1972 provided agencies to co-operative societies to tap policy holders. But it failed. So the insurance with banks, mutual funds and benefit consultants, brokerage and benefit consultants, company and fund managers, insurance and hospitals can be introduced.

e. Multiple agentship i.e. an agent can represent many insurance companies may be followed to reduce the distribution cost.

Vinay Verma\textsuperscript{25} in his technical paper entitled "Retailing Personal covers- A Marketing Approach” gave some suggestions to improve the insurance business. He suggested health insurance products for different segments. As the need of the target

groups should be developed, he insisted door to door canvassing of personal insurance by the agents. He further suggested that free offer schemes should be introduced to the customers to improve business.

Jha\textsuperscript{26} being a former executive Director of LIC discussed and the period in which insurance industry was in the hands of private sector (1818-1955) then public sector (1956-1999) and once again under private sector (2000). The objective of liberalization is to provide better coverage and the flow of resources for the growth of Infrastructure. The challenges before the industry in a liberalized market are few new insurers, exciting insurers expectation of consumers and distribution channel, consumer education and grievance redressal.

Mishra & Simita Mishra\textsuperscript{27} brings the position of insurance compared with European countries, where Life Insurance accounts for 58\% and non-life for 42\% of global direct premium 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 an individual becomes more dependent on employment. The author analyses the top ten largest insurance markets to find out how they are ranked by revenue in the year 1998 is well differentiated. It is said that when money becomes available to pay the premium, the demand to protect also increases. Based on it, “insurance seven” is worth mentioning under different dimensions in Insurance Mechanism.

\textsuperscript{26} Jha, R. N., “Challenges before Insurance Industry” Forum of Free Enterprise, 2000, pp 1-12.
Shesha Ayyar\textsuperscript{28}, in his article "Insurance Reforms - what are the Implication?", stated that the private insurers would have a break-even period between 7 to 10 years. Private insurers will take some years to generate profit because they require more funds for further growth. Thus the notion that foreign firms will come to India and Indian savings will flow out is not true.

Vijay Srinivas K. B.\textsuperscript{29}, in his article entitled "How returns linked insurance products can be popularized", emphasized that the insurers should link the insurance product with other benefits. Low incomes, social structure, lack of understanding among the public, lack of availability of new schemes are the main reasons for low priority for insurance in India. To avoid this author has insisted on returns linked insurance.

Anabil Battacharya\textsuperscript{30}, in his article "Indian Banks - Entry into Insurance Sector", has stated that the banking industry is penetrating into the insurance industry. He suggested that the eligibility criteria (framed by the IRDA -minimum networth to the extent of Rs.500 crores, reasonable level of Non Performing Assets of the bank, continuous profit for the first three years) might be relaxed (10% of the net worth and Rs.50 crores as minimum net worth).

Malliga R\textsuperscript{31} in her study examined the association between socio-economic status, personality traits of the agents and their 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 agent and their performance.

The author Jaya Basu and Chandra Sekar\textsuperscript{32} discusses the problem faced by the insurance players towards majority of the 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-priced units with low premium and right distribution with planning for rigorous training to agents, direct marketing bancassurance etc., which can definitely prove to be a boon to new companies entering this sector.

Thitivadee Chaiyawat\textsuperscript{33} states that the more developed and efficient the country’s insurance market is, the greater will be its contribution to economic prosperity. She observed that a dozen countries which have liberalized their insurance market have allocated better resources and enhanced customer choice as per expectations. The study highlights the issue that liberalized markets allows a huge competition by creating stronger solvency, supervision, disclosure, consumer information and market monitoring. The only adverse effect on restriction of foreign insurers involvement is, if the government denies their citizens and businesses such markets, it may lessen consumer choice that may hinder contribution to the economic development.

The study was conducted by the authors Vasanthi Srinivasan, Prakash & Sitharam\textsuperscript{34} to explore the changes taking place in the management of agents in liberalized economy. The objectives of the study were to identify the competencies required & methodology adopted for selecting the effective agents. A sample of 15 agents ranging between 28-47 yrs, representatives, customer of agents was taken for qualitative solution. The findings indicated that a professional competency is necessary for successful insurance agents. The study also highlighted the analysis of industry, how to manage agents to develop competencies and domain experts in the selection of agents.


Kishore R. B\textsuperscript{35}, in his article "A holistic view of Insurance Reforms and a Blue Print for Strengthening LIC", stated that there is an enormous scope for a big breakthrough and an accelerated growth with a keen and healthy competition. He forecast that the insurance industry would generate 8 to 10 lakhs jobs in the next 5 to 7 years.

Mahesh Chandra Garg\textsuperscript{36} brings out the new paradigm in the Indian Insurance Industry by imposing the increase in Life expectancy of individual and disintegration of joint family system where each individual now arranges the cover for himself and for the family. He finds that insurers which was around 7\% of the population in 1999 has grown very fast because the private sector operator in collaboration with their overseas partners are likely to bring in more professional and focused approach. Once competition grows, lower premia may also become a reality of the regulatory body has to ensure a balance in the enactment and the regulation in the overall development &maturity of the Insurance Industry.

Agarwal\textsuperscript{37} has attempted to study the importance of the IT in the Insurance Industry to bring out the efficient need to provide improved services when there is competition due to private entry. In an insurance company the service may be utilized in 9 areas like customer service claim management, human resources etc. It is assumed


\textsuperscript{37} Agarwal., “Role of IT in the Insurance Industry”, Chartered Secretary, August, 2001, pp 235-237.
that to have an overall increase in the size of the Insurance Market, IT must be used on a much vigorous basis for more extensive penetration.

**Paresh Parasnis** in his article briefly discusses the various channels of distribution in the Life-Insurance- Industry in India and the 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 is given priority. One of the recent experiments worth explaining is bancassurance. In a recent survey carried out by price wate house coopers on banassurance the following emerged as key issues: to improve effectiveness of the sales channels, products to tailor the needed etc., To conclude, that industry in transition present opportunities, which 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 & help to capitalize the benefits of its customers.

**Kutty S. K.** brings out the fact that Insurance Industry’s growth is achieved not only through penetration among one segment of population (i.e.) the formal sector (middle class) but also the pattern of expectation in the informal sector 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 policy holders conducted in Trichur district of Kerala in 2000. The key findings are majority of the respondents are concerned with

---

specific saving needs & smaller number were concerned with general needs. Majority feel that Insurance is for a dominant need and the safety for their investment. The distinctive pattern of expectations of the informal market is fairly apparent in the above study.

A study (Tape Sinha)\(^4\) of Indian Insurance Industry in the past and in the present is examined. As per the study, 312 million middleclass consumers in India have enough financial resources, but only 2.5% of the population has Insurance Coverage and India is the 6\(^{th}\) largest market in the world.

Shao S. D\(^4\), in his article "Rebating in Insurance", gave suggestions to overcome the problem of rebating. LIC is paying 35% as first year commission to its agents. It can be spread over subsequent years. If a policy holder fails or subsequently defaults, the commission paid to the agents should be recovered. To implement this, IRDA has to make amendments in the IRDA Act 2000.

Ramakrishna Reddy & Kunjula Spandana\(^4\) tried to study the challenges and opportunities present in opening up of Indian Insurance sector to private hands. Though the emergence of competition shows a healthy sign, yet, there is a fear that


multinational companies will squeeze the existing companies, thereby affecting the national growth. The question is by liberalizing the Insurance sector, will it have an unfavorable impact or help in the betterment of the people. But customers benefit by having choice, better service and easy access to Insurance schemes.

Rinkle Chaudri\(^{43}\), in his article stated that customer service delivered by the Insurance companies to the customer expectation implied significant gaps. He found that the Insurance companies had to compare the current level of services offered by the standards set by the company in the light of customer expectations. He added that the quality of services experienced by customers depended on a large extent on the performance of the back office, which had to settle fast. He concluded that the eagerness and ability to understand the Indian psyche and altering time tested marketing practices would be the key to a successful strategy.

Anoop Tony Singh\(^{44}\) had studied that the Insurance Industry covers itself to meet different kinds of commitments on requirements. He added that the insurance industry operates on the conservative side of the business and insurers that it drives well within the speed limit. He concluded that any company’s exposures to any one incident is significantly limited and diffused throughout the entire Insurance Industry.

Abhishek Agarwal\textsuperscript{45} has studied the changes in distribution channels. He found that the new type of distribution channels were wider and were expected to be more technology-oriented for the urban population in future. He analyzed that there would be a significant change in Insurance environment. The distribution system had widened with the combined forces of increasing technological expertise transformation in the industry and innovative techniques in the market. He concluded that the new customers’ friendly methods would find way to the market, making customers win in all the metamorphosis by eliminating multifaceted barriers to free trade that remained in insurance Sector.

Jack Burke\textsuperscript{46} in his article suggested for the required action that is needed to be adopted by the companies on technology, marketing and communication grounds. He stated that the agents should balance relationships on both sides of the scale of the company and client. He studied that some people are not comfortable with using technology leading to increased personal servicing. He found that the people have learned that the service must be a blend of technology and personalization. It is concluded that the world of insurance would be in the flux of chance and those who would survive should adopt and chance with it.


The authors **Pradeep Gupta and Sanjay Bhyana** discussed the challenges and strategies in the Insurance Industry in India. An attempt was made to know the market position of the different insurance brands and business practice codes given by IRDA to maintain some minimum standard. As per the study, after liberalization in Nov 1999, awareness of LIC brand shows 100% as against ICICI prudential awareness of 70% and HDFC shows 52%.

**Rudra Saibaba** has conducted an enquiry on "Perception and Attitude of women towards Life Insurance Policies". According to him, 75% of women perceived towards life insurance plans provides a coverage against future risk; 58% of women felt that insurance provides accidental coverage; nearly 41% of women considered insurance beneficial for availing housing loans; 70% of the respondents are satisfied with the services offered by the Corporation. 58.75 % of the women knew about the different types of policies available with the Corporation. 41% of the respondents have not taken any new policies.

**Zhen Zhen Sun** in his article highlights market situations and their impacts. He emphasized that the approach is to be based on traditional insurance according to the solidarity principle. He added that the key strength of the market is the strong customer demand for insurance product, which would continue for a long time. He studied that

---

the companies had to enhance under writing, claim settlement competencies and upgrade skills of intermediaries and customer services personnel through training initiatives. He concluded that the global insurance industry would be able to become more competitive through transparency, by adopting best international practices and cost disclosure.

Rajatshrvo Bakshi\textsuperscript{50} examined the insurance companies in the light of the post liberalization scenario. He stated that it would be difficult for the private players to build trust in customers which is the major driving force. The liberalization would bring strong marketing of different policies by rival firms by a wider range of products and better services. Trust in customers is the major driving force for the private players and is not easy to achieve especially when insurers are preparing themselves for a competition. Insurance premium in India accounts for a mere 2.3\% of GDP and percentage of savings is barely 5.95\% in India. The factors discussed for customers to retain, in spite of private entry, are strong distribution network, strategic selection of segments, reputation credibility and financial stability.

Shika Sharma\textsuperscript{51} studied about the changed face of Life insurance in India. It was revealed that the private players in the under insured country had raised awareness levels by the introduction of innovative products and by increasing the penetrator level. He found that the consumer was the biggest beneficiary of the competition with a wide

range of products, customer focused services and professional advice. They also stated that the life insurance was viewed as an integral part of financial portfolio by the heightened awareness of consumer education. He added that there was a vast improvement in service, attitude and delivery due to raised service levels land technology. He concluded that the face of life insurance has changed due to the challenges in the industry and the credible players will survive.

K.C. Mishra\textsuperscript{52} has examined the changes and consequent results, which are to be useful for the future needs. The force acted on the industry has brought significant changes in the behaviour of industry trends. He added that the competition had taken a new meaning in the Indian lexicol of the radical economic reforms. The majority of the middle segment consuming class and the climbers were highly differentiated depending on the product and price sensitive, which required a targeted approach to product design and pricing. He concluded that the industry should adopt a different technique for rural business and the strategy should be changed for a healthy trend.

G.V. Rao\textsuperscript{53} in his study covered the major changes of the global industry and the impact on Indian Insurance. He pointed out the changes in the attitude and policy making of the insurers due to terrorism. He found that the distribution channels were revamped by the introduction of corporate agents and brokers. He added that dismantling of tariff structure and professionalizing the distribution channels could


change the situation better. He added that only professionals of high caliber and expertise could play a meaningful role for the future.

**SantoshDhar and Upinder Dhar** presents the study for the purpose of assessing the awareness and understanding of future managers about Insurance. The study has revealed that five dimensions (product current & future needs, encourages savings, guarantees payment, issuers growth and security & ensures security needs) are perceived as important by these future insurance managers which in turn comprised of 9 factors. As people’s expectation about services tend to be strongly influenced by their prior experience of outcomes customers with a service provider, future managers must learn the knowledge of customer’s specific requirements to provide individual attention and to recognize him as a regular customer.

**Kaliyamoorthy S. and Suresh A. M.** studies the changes in the factors like demographic, social, economic, political factors and strategic choices that are responsible for the growth of the service sector. Comparison of Insurance contribution in the developed and developing countries clearly states the terms of saving mobilization. The study states that with the entry of private companies, competitions have brought in changes and LIC started offering some of the services which even the private insurance companies have not yet begun. It is too early to conclude about the

---

yield in private firms but it is necessary to keep a close watch on the trends of the industry to analyse its future development.

Azhagaiah R and Varadharajan R\(^5\) in their study viewed that out of one billion people in India; only 35 million people are covered by Insurance. With the entry of private Insurance players people have a host of schemes to choose with distinguished features giving importance to the return on investment. LIC has been withdrawing many of its assured return plans due to the factors like changing customer behaviour, deregulation and government interventions, competition etc. Regarding the progress of 12 private Insurance players, the total of all private companies is around 5\% of the total insurance business in the country, especially ICICI prudential which tops the rank with 40\% followed by Max NewYork with 13\%.

Jawaharlal U\(^6\) emphasized that the companies should be sure in delivering the best services after knowing customer expectations. He stated that the level of delivery of the promise is less due to many constraints. He emphasized that the insurers should adopt a customer-centre approach rather than being product centric. He concluded that the level of awareness of insurance had to be raised by offering services like need-based products, investment linked policies & other flexible options.


Raman & Gayatri\textsuperscript{58} studied the investors’ awareness about the new Insurance companies and the preference for their investment future. Samples of 25 customers were collected. The findings of the study are 48% of the respondents are aware of new companies through their friends and a majority of respondents choose a new company for a reasonable premium for their investments.

Sampa Bhasin\textsuperscript{59} in his article stated that the standard of insurance awareness is low when compared internationally. He also found that the insurance in India was still viewed as an investment tool. The channels of distribution were well-established and the use of technology would complement and supplement the distribution channel. He also added that the companies should jointly design the product phraseology more simple, impact proper training to sales teams and communicate the objectives in clear terms. He concluded that liberalisation had more awareness and coverage, and the public and private sector together with regulators should strive to make the sector strong.

Sunder Ram Korvi\textsuperscript{60}, in his article, had discussed the problem faced and probable solutions to insurance sector. His study revealed that the insurance in India was sold for wrong reasons such as return basis and tax concessions rather than security. He added that the risk increased due to increase in number of participants and


declining corporate governance. He found that the aspirations of the sound policy holders and the risk mitigation at the systematic level could be achieved by enforcing better corporate governance and by educating policyholders. He concluded that the success of life insurance companies would be very important to stabilize and catalyze growth in the economy.

Rajan Das & Raveendra⁶¹ opined that the economic reforms which ushered in India in the early 90’s 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 low at 77% i.e. during the year 2000 in India when compared with some developing countries in Asia. The entry of new players has rejuvenated the erstwhile monopoly player LIC. The following are the changes brought about by privatization: market expansion, new product offerings, customer service, channel of distributor and strategic alternatives including variety based positioning, needs based positioning & access based position etc., with the view of the authors any Life insurance player chooses a particular positioning, it involves trade-offs, but it cost a company and it has to pay if it aims to attain a sustainable competitive advantage.

Urvashi Makhar and Satish Kumar⁶² in their articles on the impact of privatization in Indian economy have found that the demand remains high for marketing

specialist, finance experts, human resource professionals and engineers. The author added that the insurance industry had to address security, regulatory issue, technology improvement and building of brand name for the future years. He found from the other developing countries that the demand for insurance would increase with rising of per capita incomes literary rates and increase of the service sector.

Ajit Narian\(^6\) revealed that the customer expects a competitive pricing and a high level of after sales service. He insisted that a relationship system would identify their customers and tailor products and services. He also stated that diversification and spread would happen with improved economic advantage. He concluded that the companies had to constantly aim towards perfection.

The author Shobhit and Sanjay Shukla\(^6\) 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 to study the present scenario were also studied. The findings revealed that majority of rural population showed high bias towards low premium and maximum risk coverage. The study also revealed that in urban areas, efficient customers services provided at doorstep are the major reasons for market penetration in the private players.


Jawaharlal U\textsuperscript{65} in his article emphasized the impact of outsourcing in Insurance sector. He stated about the precautious of processes regarding successful outsourcing for a company. He insisted that the private insurers had to improve their underwriting skills. As the outsourced people had to be trained again by the insurance companies, they had to decide between outsourcing or to train its own employees for saving and overdependence of the outsource.

Murty T. N, Riswana Ansari and Raja Babu.P\textsuperscript{66}, Insurance business is one of the fast emerging financial services, predominantly in the developing countries like India, in terms of the population it serves. The insurance industry is going through radical changes in its product as well as in its competitive service strategies towards the customer. During the long monopoly regime, the public sector attempted many changes in the character and basic policies of the industry. The private players focus their campaigns on building an image of trust worthiness and reliability for themselves. Most of the advertisements carried messages of family happiness. The development of the Indian insurance market into a healthy and vibrant one is expected to further aid in the economic and financial development of the country by acting as a mobilize for saving and as a factor of production, besides playing an active role in providing social security.

Venkatesh Mysore S 67 studied some of the key issues which need to be addressed by the insurance company. The changes in the Insurance sector like new private companies, product innovation, introduction of riders, new channels of distribution have attracted the attention of consumers, policy makers’ regulators and the shareholders. The three major issues noted are professionalism, scalability market conduct and compliance.

Jawarhalal V & Sarthak Kumar Rath68 have explained the customer centricity focus by the Insurance Companies as the customer have a wide choice of Insurance selection, the insurance companies need to leverage interaction with every customer to build a level of service quality leading to customer retentions and to increase customer satisfaction, increase Customer Retention and finally increased profits. In order to achieve better service the Insurance companies should improve operational efficiencies, reduce costs and drive more profitable Customers.

Devashish Pujari & Anand Sharma69 in their study formulated certain objectives of elucidate the important 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 the customer satisfaction. The study is primarily based on the observation and unstructured interviews with the executives at regional

office of Insurance companies. The main source of information is through advertisement and information lying in the branch, divisional and regional office.

Ravi Shanker\textsuperscript{70} 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 as per the reforms, the direct insurers to have a minimum paid up capital of Rs.1 billion, invest policy holders fund only in India and to restrict International companies to a minority equity holdings of 26% in any new company. Influencing factors in competitions are saving plans, easy settlement and protection against creditors etc. The two possible limitations are rate of premium of GDP which is indeed to capture existing customers by offering better services and other advantages.

Eswaran P S\textsuperscript{71} The life insurance sector worldwide has by stimulating long term savings played an important role in the development of two key sectors in any economy, infrastructure and capital markets. It supplements long turn needs of financial security in the absence of social security in India. The life insurance industry is also a high growth area due to the privatization of this sector with major foreign players joining hands with Indian corporate houses to do business.

Private players have introduced alternative channels to increase the market. Rural India presents a big opportunity for issues. Most insurance companies have launched specific products keeping in mind the rural customers. Customers are beginning to understand that insurance is an excellent long-term investment opportunity. As private insurances expand their distribution network in the country, insurance presentation will increase rapidly.

Sandeep Ray chaudhai and Joy chakraborty Insurance is presently booming sector in India with more and more players, constantly striving to gain a foothold. LIC and the private life insurance in India have been relentlessly strategizing ways and means to develop new and innovative products, tailor-made for the customer. But going by the pre-existing dominance of LIC and regulatory issues, the private life insurers are finding it hard to effectively accomplish their goals. The insurance companies must revamp their existing strategies in innovating products in their kitty commonly known as PIPS, the use of e-business internet and SMS services to meet their customer needs and to initiate the customers about the policies. The insurers also looking at developing need based insurance product for the largely untapped rural market in India.

Suresh S Retaining of customers is a much more challenging job than acquiring customers in the context of growing forces. The traditional approach of marketing became insufficient to achieve the marketing goals. Creating strong customer relationship is retention marketing. A firm should manage its retention strategies and tactics that best support its main focus-optimizing customer equity. Customer retention does not occur without incurring some costs. Companies can minimize customer equity by matching these costs to the retention values of individual customers rather than by acting on the myopic view that “retention is free”. The insurance organization needs to improve the quality of their personnel so that performance orientation is made possible. The application of innovative marketing principle in the Insurance organizations would pave the way for multi-dimensional positive development.

Martina R. Noronha’s view, the Insurance business has been changing across the globe and the rippling effects of the same can be observed in the domestic markets also. The insurance industry has moved away from the public sector monopoly with private capital entering the industry. The new environment has facilitated competitive conditions and the industry has exhibited a healthy growth trend. The need of the hour is good underwriting practices. Ultimately, the growth of the industry will not be assessed in terms of the number of players are the volume of premium underwritten, but the maturity with which insurance handle the growth of the industry, by being customer

friendly, abiding by certain principles of market conduct, offering tailor made products to meet customer requirements. Alternative channels of distribution like bancassurance, direct marketing, internet and telemarketing reduce costs and enable insurance besides reaching a wider customer base. The private players have the advantages of their partners who have global insurance experience and they also have the late mover advantages as they do not have to create awareness with regard to life insurance. LIC without fail will have to face competition from private players.

Rama Devi V and Ramesh M\(^75\) has expressed that strong competition and innovative products defines India’s rapidly growing insurance sector to day. Till date only 20% of the total insurable population of India is covered under various life insurance schemes. Innovative products, imaginative marketing and aggressive distribution have enabled fledgling private insurance companies to sign up Indian customers faster than anyone expected. While at the time of opening up of the sector, life insurance was viewed as a tax saving device, policy holder’s perspective is slowly changing. Majority of the insurers satisfied with their insurance products and indicate their preference for life insurance product rather than private sector.

Balachandar G and Panchanatham N\(^76\) Life insurance is mainly sold to the customers as a risk protecting financial product. It is used as an investment tool to the client who faces variety of financial goal in various stages of human life. As per IRDA


act, Indian insurance market was opened up. By the end of 2008-09 financial years, there will be more than 20 life insurance companies in our country. The growth of insurance mammoths has been approximately around 100% for the last 4 years. It is expected to continue in the future also. A lot of new companies may enter into the industry. When new companies enter into the market identify new distribution channels, innovative insurance schemes, competitive pricing methods, novel marketing strategies to reach unapproached customers. Even if its seems to be right but more number of problems are faced by customers of LIC and private insurance companies. The problems can be solved if the employee’s agents and customer care department staff are trained properly. IRDA has been implementing safeguard measures for policy holders.

Sankaramuthukumar. S and Saravanan Laxmanan77 The insurance penetration and insurance density in India is growing at a slow pace. Most of the life insurers in India are yet to break even though they are in operation for more than 6 years. In this context, the study on 16 life insurance companies shows that these insurance companies can perform better by going for strategic partnership with banks and post offices, wholesale inclusion of rural masses, developing underwriting skills and tuning grievance redressal mechanism, hiking the FDI limit to help capital infusion, and encouraging academic institutions to go for insurance education in a big way.

Subbiah.A and Jeyakumar.S

The IRDA released unaudited new business statistics for the year 2007-08.

The annual premium of Rs.59182.20 crore  market share 63.64%.

17 private insurance share is 36.36%.

ICICI – 8.93% (out of private insurance)

<table>
<thead>
<tr>
<th>No of branches</th>
<th>8500</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of agents</td>
<td>25 Lakhs</td>
</tr>
<tr>
<td>No of Direct entries</td>
<td>2.5 Lakhs</td>
</tr>
<tr>
<td>No of In-force policies</td>
<td>20 crores (Approx)</td>
</tr>
<tr>
<td>Sum assured in-force</td>
<td>23,600 crores</td>
</tr>
</tbody>
</table>

Life insurance has a long history in India. India is the 5th largest life insurance market in the emerging insurance economies globally. Life insurance industry in India is a large mobilization of savings next only to banks. The LIC is the sole operator of life insurance in public sector. But many private players are booming in the insurance market in India. The IRDA has released the unaudited new business statistics for the year 2007-08. As per the IRDA, the LIC has underwritten new premium of Rs.59182.20 crore which translates to a market share of 63.64%. The seventeen private players together have a market share of 36.36%. The total life insurance market premium is likely to be more than double from the current US $ 40b to US $ 80 – US $ 100b by 2012. Indians take insurance products as investment tools and buy these policies with the perspective of long-term investments.

Srinivasa Rao M. V. S\textsuperscript{79} has observed that the booming domestic insurance market along with the saturation of markets in many developed economics has made India a very attractive destination. In his report released on April 18, 2008, Associated Chambers of Commerce and Industry of India, stated that the Indian insurance sector is likely to register an unprecedented growth of 200\% and attain a size of Rs. 2000 bn by year 2009-10, in which private sector insurance business will achieve a growth rate of 140\% as a result of aggressive marketing strategies being adopted by them as against 35-40\% growth rate of public sector insurance companies. There is no doubt that the Indian insurance market is one of the fastest growing markets in the world. Therefore, those companies operating their businesses should come forward with a strategy to maximize their opportunities on one hand and to minimize their expenses, on the other LIC has always been in the forefront of utilization of its resources effectively. It has been striving to achieve effectiveness and excellence in its business operations.

A SUM UP:

Most of the research concentrated on the strong growth of Indian insurance sectors. Insurance markets have changed dramatically in recent years. Policyholders in India who used to have only one company now have a wide variety to choose from various life insurance companies. The fight to attract and keep customers has resulted in the development of relationship marketing strategies. The insurance companies are

developing a mix of relationship marketing tools to establish and build profitable customer relationship. It is a well-perceived fact that the customer trust and commitment have become the important factors of business success.

There are very few studies related with trust and commitment in insurance sector with special reference to India. The present study proposes to identify the factors influencing trust and commitment of policyholders on their insurance companies in Coimbatore. The study focuses on marketing the services to the policyholders by insurance sectors of public and private sectors. The marketing of services can be successful only if there is a match between the service product from the customer’s point of view and supplier’s point of view. The study enumerates the opinion of the agents and policyholders’ trust and commitment on their insurance companies.