CHAPTER VIII

CONCLUSIONS AND SUGGESTIONS
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8.1 INTRODUCTION:

This last chapter is based on the findings observed, felt, experienced, by the researcher. All other eminent researchers and professionals in the life insurance sector have expressed their findings and opinions very systematically. Many of these studies have been really instrumental and useful for the life insurance companies and Government of India and researchers of next generation.

In any industry, sector, majority of the decisions are taken by the persons, authorities who are actually working for that particular organization, and to some extent for fulfilling administrative regulations, and requirements, procedures, respective Government department authorities are taken into consideration. Company professionals at top level of the management especially in private sector are many times either scholars from the background possessing excellent command on the domain subject they are handling or they have huge industry experience of handling various organizations, situations, products, competitions, marketing operations and various other issues.

Doing research in a closed room using internet and other sources such as books, magazines, journals, research papers and articles, news papers, etc. has its own limitations and strengths and weaknesses. Doing research by actually performing field work, interacting with subject concerned persons and organizations also have its own limitations and restrictions.

Research carried out by applying a perfect combination of both the above mentioned methods will always be more practical, innovative, firm on ground realities, and will be providing the practical solutions and not only the philosophical and praising findings, which in practicality are not at all decisive for taking concrete corrective action.

The conclusions and suggestions mentioned in this chapter are based on the basis of applying the research method combination of research carried out with journals, books, internet sources, etc. and actual field work performed by personal communication with the persons, organizations, directly involved in the life insurance business.

8.2 CONCLUSIONS:

Lot of data and information has been collected by using separately designed questionnaire for customers and sales executives. The conclusions made here under are on the basis of actual feedback received from customers and sales executives.
Majority of questions are targeted for extracting information regarding the points which may be helpful for the life insurance companies for designing new marketing strategies in future.

1. LIC of India has enjoyed monopoly life insurance business from the year 1956 to 1998 and earned huge assets and contributed reasonably well to Indian economy. LIC of India has also helped nation in creating good employment.

2. LIC of India was not having any tough competition during the period 1956 to 1998, which was actually an opportunity and advantage. But LIC of India, if assessed professionally and commercially from business point of view has miserably failed to encash this great opportunity of offering life insurance cover to maximum people of India. No serious efforts were found made by LIC of India for speedily penetrating life insurance in India.

3. LIC of India could not launch innovative products as launched by private life insurance companies immediately after obtaining license for life insurance business. It is surprising that how come the idea of ULIPs had not come to the minds of LIC of India management during the period 1956 to 1998.

4. LIC of India could not take advantage of investing customer's money in private market and offering multiple results to the customers. By doing so LIC of India could have contributed more growth to Indian economy and their own income also.

5. LIC of India neither in the past nor now also has been concentrating on capturing rural markets of India, which are proved time and again as huge untapped potential for life insurance business. Neither private life insurance companies are interested to encash huge untapped business potential from rural parts of India.

6. Creation of IRDA is a good decision taken by Government of India, which has been practically producing expected satisfactory results to streamline and maintain fair competition in the insurance sector with absolute implementation of regulations laid for insurance companies operating in India.

7. It needs to be appreciated here that IRDA has been instrumental and visionary in the growth of life insurance sector by granting license to private life insurance companies for carrying out life insurance business in India.
8. Government of India’s policy to invite Foreign Direct Investment in life insurance sector was a wise decision and has been proved in reality also. Irrespective of the then ruling political parties in the Government of India, but they certainly deserve to be applauded for this decision.

9. The sense of urgency shown during the period 1998 to 2000 by Indian investors, subsidiary groups for forming tie-ups with foreign life insurance companies to perform life insurance business under a joint venture arrangement was reasonably good.

But this sense of urgency started going down and down as the life insurance sector started facing competition and increasing customer expectations. Till the end of March 2013, there are only twenty four life insurance companies operating in India. Among them twenty three are private life insurance companies and LIC of India is the only Government of India owned Life Insurance Company.

10. Compared to huge investment required to be made in other sectors, such as steel industry, FMCG, IT, Export, Aviation, Health, etc. Investment in Insurance sector is certainly very less. Many of other Indian subsidiary groups, industrialists, should come forward for investment in insurance sector.

There is a pending bill in parliament to be passed for increasing FDI in insurance sector from present (26 %) to new (49 %). If this bill gets green signal from Parliament of India, it will be the best opportunity for Indians to spread and penetrate life insurance business in all corners of the country and earn huge income and generate revenue for the country also.

11. It is said that “Growth is evidence of Life”. For the growth of any organization there is always need of special efforts from well trained professionals. Such professionals are placed in the department named as “Research & Development”. Such R & D departments are available and are very alertly performing the activity of research and development in the sectors such as pharmaceuticals, chemicals, fertilizers, pesticides, IT, etc. R & D Department is an essential part of the organization.

None of the life insurance companies are having R & D department working untiringly for the organization. Few select minds work only on product
development and designing the marketing strategy. The highly qualified professionals from finance and insurance as their domain subject during academics pass various other exams such as AMFI, Licentiate, Associate, Fellow, at increasing grade level and are appointed as ‘Actuaries’ on the panel of life insurance companies. They only take care of product development and are helped by other top experienced marketing professionals of the life insurance company.

12. LIC of India is a big giant senior life insurance company and the only life insurance company owned by Government of India. Probably this impression has developed complacency feeling effect on LIC of India, and that is why though LIC of India has more number of products but, LIC of India is very slow in speedily launching new products as compared to private life insurance companies. LIC of India is still largely depending on old existing products only. Even this complacent feeling effect has been experienced by customers very badly in the form of post sales services rendered by LIC of India. Majority of customers interviewed have expressed disappointment in this regard.

13. The complacent feeling has badly affected growth of LIC of India. This has been proved by private life insurance companies by grabbing every year increasingly the market share of LIC of India. Present market share of LIC of India is definitely highest among all life insurance companies, but it has come down to (56 %) from (100 %). Anybody can easily define it as de-growth of the organization. It is alarming situation for LIC of India to keep on preparing and upgrading their action plans and implement them on war footing to maintain their share and stay ahead in the competition.

14. Private life insurance companies have been struggling right from their launching and will have to keep on struggling in order to earn name, fame, brand image, huge customer base, and income, and customer faith etc.

15. Private life insurance companies have to take extra efforts in maintaining transparency in offering services to their customers. Giving reasons that fluctuating economy of the country and fluctuating private money market are responsible factors for failure to offer promised results and returns to customers in case of ULIPs is not going to serve the purpose. Maximum (48.99 %) sample customers
have given preference for purchasing traditional life insurance plan considering the risk and proven trend of de-growth given by Unit-linked products. The life insurance companies have to break this chain of excuses and do something miraculous.

16. Maximum (87 %) sample customers have reported that ULIPs of select life insurance companies have totally failed in last ten years to give the promised returns and in fact have given loss to the customers, who have not received even their capital investment amount also in return. This has developed a feeling among the customers as cheating by life insurance companies by selling ULIPs.

17. All (100 %) sample customers have reported that life insurance companies must also share partial responsibility in profit and loss that may be earned through Unit-linked products.

18. Private life insurance companies deserve appreciation for the punctual services offered to their customers and also in case of promotional activities, corporate social responsibilities performed by them. Maximum (68 %) sample customers have given satisfactory remarks about punctual services offered by private life insurance companies.

19. Spreading awareness, importance of life insurance, and education about insurance in India is substantially very poor compared to developed countries. It is surprising that maximum (96 %) sample customers could not tell even the full name of all the twenty four life insurance companies operating in India. Many of them even don’t know actually how many life insurance companies operating in India.

What is more surprising and disappointing is that even the sales executives who are on pay roll of the life insurance companies are also least bothered to take pains to know the number and names of their competitor life insurance companies. Not a single sample sales executive could write down the names of all the twenty four life insurance companies operating in India. None of them could even remember and tell the T.V. advertisement of minimum ten different life insurance companies.

This is more than enough to prove the seriousness and respect the staff and management of life insurance companies have for the life insurance sector and
their own life insurance company, they are working for. This proves that how much alert they are about penetration of life insurance and competition in life insurance sector.

The point of doing comparative study of products of competitor life insurance companies had never touched to their minds. All (100 %) sample sales executives have reported that they never carry the important task of monitoring performance and strategy applications of competitor life insurance companies. It is not at all the part of their marketing strategy and their duty also. In other sectors such as FMCG, Automobile, Pharmaceuticals, IT, it is a compulsory task for the sales executives and they have to submit their monitoring report on daily basis.

20. Maximum (96 %) sample customers are not at all aware about number of life insurance companies operating in India. Customers' knowing the names, products and T.V. advertisements of those life insurance companies does not arise at all. This is enough to prove how much awareness has been created by life insurance companies operating in India.

21. (37.50 %) sample customers have reported that they are not satisfied with the knowledge competency of the life insurance sales executives/agents approached to them. This proves that, it is a poor situation and there is wide scope for improvement.

22. Due to customer’s lack of knowledge, required education and due to knowledge incompetency of life insurance company sales executives and agents, maximum ((64 %) sample customers have reported they could not understand completely the life insurance plan they have purchased.

23. Maximum (59.50 %) sample customers reported that they do not know the functioning of ULIPs.

24. Maximum (71.50 %) sample customers have reported that they are not at all aware about various funds that are used for investing the amount paid by the customers in ULIPs.

25. Maximum (80.50 %) sample customers have reported that they do not know how various funds chosen for ULIPs, investment really function in practical.
26. Maximum (79.50 %) customers have reported that they have never done fund switching on their own for growth or to protect from de-growth of their investment made in ULIPs.

27. Maximum (26.90 %) sample customers have reported that life insurance definition itself covers the risk that the insured individual is bound to grow old and carry increasing risks day by day in future. Considering this only the customers pay the premiums for covering the risks to his life. There is no need to separately charge mortality charges, for the reason that customers are growing old day by day and risks are proportionately increasing.

28. Personal communication is the best media for promoting life insurance. Maximum (41.58 %) sample customers have given preference to this option.

29. None of the select life insurance companies have special plans for people below poverty line.

30. None of the special life insurance companies have special plans for learning students offering special benefits.

31. None of the select life insurance companies have special plans for disabled or physically challenged persons offering special benefits.

32. Maximum (48.99 %) sample customers have given preference for purchasing traditional life insurance plan considering the risk and proven consistently disappointing trend of de-growth given by Unit-linked products.

33. Despite of so much diversification of life insurance products for various purposes of life, maximum (18.74 %) sample customers have reported that they give first priority to offer financial security in future to themselves and their beloved family members.

34. Frequency of launching new products on quarterly basis has given good growth to HDFC life.

35. Only HDFC Life and Max Life have special provision in their marketing strategy to take care of arresting and reducing lapsation rate of existing life insurance policies of their customers. LIC of India does not take any special efforts in this regard, which reflects negligent attitude towards organization and the customers.
8.3 SUGGESTIONS:

All the life insurance companies do have highly qualified, well trained and experienced professionals working at the top level designing products, marketing strategies, and handling other important subjects.

The ideas are generated at the top level in the system and conveyed for implementation at grass root level by insurance sales executives and agents. Their educational level and other abilities are may not be same always as that of top level authorities. So there is many times deviation found in implementation of policies and strategies by them.

After one to one interaction with the customers some of the lacunas are found out and some suggestions have been listed as below. The suggestions are based on the ground realities expressed and confirmed by researcher.

1. As market segmentation and product positioning are important for any marketing organization, for life insurance companies ‘customer segmentation’ also should be done on practical basis. For this a systematic process, system should be developed for identifying the right customer, based on his needs, requirements, income sources, income – expense ratio, saving capacities, major liabilities.

2. Identifying right customer will help mis-selling, pressure selling; false commitments, mis-communication, deceiving, and ultimately it will help reducing increasing lapsation rate of life insurance policies.

Identifying the right customer is a skill. Many times customers do not know their needs and luxuries. They fail to differentiate between needs and luxuries. Educating customers to list out their needs, luxuries, major liabilities known and unknown, their income and their income-expenses ratio, their saving habits and preferences and reasons for this and how their investment in life insurance can help them is the simple, transparent, practical and successful option available to identify the right customer.

3. Providing a printed declaration to the customers along with the proposal form disclosing all the basic concepts, terms and conditions, and solutions available in case of some listed problems that may arise in future will be of great help to the customer.
Preferably this printed explanation should be in regional language, and very simple language avoiding use of legal language and rules and regulations, terms etc. The language should be so simple and easy that an average literate person also should be able to understand.

The explanation given by sales executives and agents in this regard many times is found incomplete, inadequate, and complex, and many customers do not understand it completely, and hesitate to ask again and again. Most importantly, oral conversation is not enough to be produced as proof if required in future while attending some query or solving the disputes.

4. Mounting increasing sales pressure every day on sales executives is one of the serious reasons causing high employee turnover in the life insurance companies. This is resulting in customers getting delinked and losing faith in the life insurance companies.

5. It is an eternal truth that without pressure results won't come in any field. Especially it is a compulsory factor in sales organizations. But this pressure selling can not be affordable at the cost of losing competent employees on regular basis. There is need of developing a perfect system which can maintain a perfect ratio of achieving the sales targets within the stipulated time and without losing competent employees.

6. It is an urgent need and must for LIC of India to come out of complacent feeling and concentrate on improving quality in services in all the aspects rendered to the customers. Maximum (60%) customers of only LIC of India have reported that they are not at all satisfied with the punctuality and quality of services provided to the customers.

7. It is an urgent need for all the life insurance companies and even Government of India to make aggressive efforts togetherly for spreading awareness, importance and education regarding life insurance and offer life insurance cover to maximum people in rural parts of India.

8. Life insurance policies lapsation rate should be brought down to zero at the earliest. Since it is a chain of various life insurance companies having wide network all over the country, for performing business activities, practically it is
quite difficult for these life insurance companies to keep the activities under control and ensure ethical business at each point in the country as many people with different skills, attitudes, abilities, mind-set, knowledge, experience are working in the system.

Though each life insurance company in the sector has its own differently designed common system and methodology for performing business activities, and even IRDA also has laid perfect universally applicable regulations for all life insurance companies, still there is lot of deviation found in implementing the rules and regulations and policies., which gives rise to disputes and misunderstandings.

To bring down lapsation rate of life insurance policies to zero is a real difficult task. But IRDA can certainly make some possible attempts to achieve this goal. Some possible solutions are suggested in this regard.

a) Each life insurance company should be given grade, based on it's over all performance. For every negative performance such as lapsation of life insurance policies, unsettled claims, unsettled disputes, pending claims, not fulfilling the required criteria and procedural part, etc. there should be negative rating which will directly affect performance of life insurance companies and this assessment should be strictly made applicable as major responsible factors while sanctioning other needful requests and facilities to life insurance companies by IRDA.

b) IRDA must make it compulsory for each life insurance company to adapt one such software which will immediately notify same customer approaching different number of life insurance companies, without paying all premiums towards his previous lapsed life insurance policies and without reporting about it to the new life insurance company he approaches for purchasing life insurance cover freshly.

c) Each life insurance company must confirm first by using such above mentioned software, that the approached customer has not a single life insurance policy lapsed with any of the life insurance companies operating any where in India and such certificate should be issued by the life insurance company to which the customer has requested to provide the life insurance cover. This should be done at single window point and customer need not have to approach each life insurance company in different towns, places, and branches in the country to obtain no
objection certificate (NOC) from life insurance company branch offices stating that he do not have any lapsed life insurance policy with any of these life insurance companies.

For this connecting all life insurance companies on-line all across the country with their detail customer data and their policy details data is must. As core banking system is helping now for banks and customers also.

d) As of today one customer can apply for maximum sum assured as twenty times of his/her annual income approved by registered chartered accountant after due payment and assessment of income tax and financial procedures completed by the respective customer. In this regard IRDA must finalize some universally applicable criteria for deciding the income, expenses, capacity to save and affordability of each customer wishing to purchase life insurance. Many persons do not have certain income, and for many reasons they have to change their income sources also, in such case it is difficult to assess the customers on the above mentioned parameters.

As Government of India has finalized categorizing the economic class of every citizen of India for issuing the ration card for providing food grain and other eatable products at Government rates and schemes. This categorization is done on the basis of income level, number of dependent family members, number of earning members in the family, total annual income of the family, total expenses and savings of the family etc.

IRDA also must think in this direction, and decide the economic level and affordability of the customer after confirming his income, expenses, needs, liabilities, affordability, saving attitude etc. and decide the limit of sum assured to be offered and premiums to be paid by the proposed customers.

Due to lack of knowledge, unawareness about life insurance among the customers, incompetency of sales executives of life insurance companies and sales pressure mounting every moment by life insurance companies, sales executives are forced to use their relations and extract the business without bothering to understand and caring the need, requirement, and affordability of the customers which ultimately results in lapsation of life insurance policies.
e) As now there is legal provision of punishment cheque bounce, life insurance companies with the help of IRDA must also make such provision not allowing any single sales executive, sales agent, broker, etc, performing sales for the life insurance company to propose a delicate, uncertain, pressurized and weak customer not really willing to purchase life insurance cover from the life insurance company. For three lapsed life insurance policies, the respective sales person should be punished and for next lapsation the respective sales person should not be allowed to carry out life insurance business in his life for any of the life insurance company in future.

f) A faulty proven customer with lapsed life insurance policies with any of the life insurance company should be asked to first revive his lapsed life insurance polices, obtain such certificate from that respective life insurance company and then only should be allowed to purchase freshly life insurance cover from other life insurance companies.

If the customer refuses to do so, then such customers should not be offered fresh life insurance cover by any of the life insurance companies. If such customers wish to discontinue his lapsed life insurance policy for ever for some valid reasons and wish to purchase fresh life insurance cover from different life insurance company, in such case the respective customer must be requested to provide such written declaration and produce no objection certificate from the respective life insurance company with whom his life insurance policies are lapsed and he wish to discontinue those policies forever.

g) Regulations in this regard from IRDA can definitely prove the expected results. It is not going to be an overnight process, but at least the good beginning can be done. Life insurance companies and customers also must voluntarily support in this regard.

9. In promotion of life insurance and its products more emphasis should be given on educating the probable customers rather than using personal relations.

10. Business obtained by willingness of customers will always be long lasting than business obtained by mis-selling and pressure selling.
11. Sales executives and agents should be well trained and developed and educated on regular basis to cope up with the increasing expectations and awareness of customers and situations arising as effect of increasing competition and changing regulations.

12. Growth of investment made in ULPs is heavily depending on fluctuations taking place in private money market. These fluctuations are beyond control of life insurance companies, so there is no point in giving assurance to customers for growth of investment made by them in ULIPs. Some concrete, guaranteed, and result oriented system need to be developed for growth of investment made in ULIPs.

Simply trusting the intelligence of fund managers of life insurance companies for multiplying the investment of customer’s money in private money market has not proven successful in the past. So now, there is urgent need to make life insurance companies also accountable and responsible for this for sharing profit and loss earned through ULIPs. This will definitely compel life insurance companies to work more smartly and alertly and intelligently.

13. Government of India and IRDA must make it compulsory condition while granting license to life insurance companies, that these life insurance companies must launch at least three special products every year each for physically challenged persons, helpless women, working and earning women, education of children from families of people below poverty line, and specially for people below poverty line whose income is uncertain, widows, similarly for national and international achievers from various sectors such as sports, acting, music, literature, adventure, research, inventions, science and technology etc.

14. Though IRDA has laid clear regulations regarding application of various charges to be charged to customers by life insurance companies. But in practice there is lot of deviation found and reported by customers and questioning life insurance companies. This is a time taking process and there is no guarantee that results will come in favour of the customers. This needs to be improved on urgent basis.

15. As some of the private life insurance companies have special software for tracing frequently faulty customers to avoid lapsation of life insurance polices affecting
the pool of customers; LIC of India and all other life insurance companies also should adopt this software.

16. Increase in income tax exemption for more investment in life insurance plan if such policy will be implemented by Government of India, it will definitely encourage people of India to invest more in life insurance and this will achieve growth of life insurance companies and Indian economy. Maximum (52.50%) sample customers have supported this option.

17. As having 'Adhar Card', 'Election Card', 'PAN Card' License for driving the vehicles are made compulsory for people in India, Government of India must issue compulsory Insurance Card to each new born baby in the country on the basis of cost to be borne by the Government.

   There is no need to compensate accident victims and their nearest kith and kin for losing their relatives, son, daughter, parents, brothers, sisters etc. by offering immediate compensation in crores of rupees when they die or get injured in accidents, calamities, etc.

   It is usual practice followed in India, whenever some mass people lose their life in accidents, like train accident, bridge collapse, building collapse, fire, road accidents, flood, earthquake, terrorist attack, alcohol poisoning, food poisoning, etc. Government officials immediately declare compensation to the nearest kith and kin relatives of the persons died.

   Now in the year 2013 onwards, Government of India is about to start a scheme 'Direct Money Transfer' in which Government will be directly transferring some amount on monthly basis into the accounts of each citizen of India who has obtained official Adhar Card from Government of India.

   In the same way if Government can make a tie up with LIC or any other life insurance company of Government's choice and make the necessary arrangements of paying minimum amount as single premium (Instead of depositing some money directly into bank account of every citizen under the scheme 'Direct Money Transfer') or on yearly basis for every new born child under special plan, that child, person in his/her future life if unfortunately faces accidental death,
disability, then the respective life insurance company should pay sum assured as compensation to the kith and kin of the victim.

By doing so, Government can save money; manipulation practices followed in compensating the victims, and also avoid fake claims. Not only this, it will also help penetrating life insurance to grass root level and will make people aware of its need and importance. It will help life insurance companies also to increase their income.

Having Insurance Card should be made compulsory for voting and other procedures to be completed for obtaining various facilities and benefits from the Government of India. Insurance Card must be made as compulsory as Election Card, PAN Card.

18. Indian population is sky rocketing. As of today to offer life insurance cover to 123 crore people of India, there are only twenty four life insurance companies operating in India. This ratio is no where near the satisfactory level. The ratio should be such that, one life insurance Company must offer life insurance cover for the mass of fifty lakh persons. There is badly need of more life insurance companies in India considering increasing population.

19. Insurance must be made as compulsory subject for academics right from at least secondary school level education in the country.

20. Insurance companies must come out generously for charity as they have huge unclaimed money of customers with them. It will certainly help the insurance companies to penetrate insurance to grass root level, earn popularity, respect, and faith of people.