PROBLEMS & PROSPECTS OF LIFE INSURANCE SECTOR IN INDIA
A COMPARATIVE STUDY OF PUBLIC AND PRIVATE COMPANIES

ABSTRACT

THESIS

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Abstract

Human life is subject to risks of death and disability due to natural and accidental causes. Life Insurance is a tool by which such risks or losses of a small number of persons are compensated by a large amount of funds collected from large number of persons. Nowadays it gives a very good option for investment along with protection.

The Insurance sector was opened up for private participation on the ground that, in spite of huge contributions made by the public sector (LIC) to expand the coverage and spread awareness about life insurance, the interests of the consumers would be better served if there is competition among the life insurers. It was also felt that the rapid economic growth witnessed in the 90s cannot be sustained without a blooming insurance sector. Country has a vast potential waiting to be tapped and this can be done only when we have a large number of companies spreading their business across the country and offering a variety of products catering to the demands of different sections of the population. A remarkable feature of the post liberalization landscape is the unprecedented growth in the premium. The growth is significant in life insurance. The first year premium collected by the life insurers in the year 2008-09 was Rs.87,110 Cr. compared to Rs.6560 Cr. in the year 1999-2000, the year prior to the opening up of the sector for private participation. This represents a compound annual growth rate of nearly 32% and an average annual growth rate of 123%. Currently, there are 22 Life Insurance companies operating in India and as per industry estimates, the life category constitutes about 4.1 per cent of the total GDP in the country.
PROBLEMS OF LIFE INSURANCE

Life Insurance contracts are heavily dependent on reciprocal obligations and in an ideal situation, where both the parties have fully understood their rights and responsibilities, and acted accordingly; the situation of dispute never arise. But it hardly happened in most of the cases policyholder does not understand the degree of the contract either on account of the lack of awareness or owing to the fact that the insurer has not bothered to explain the terms of the contract in their exhaustive detail. Life Insurance selling has become an aggressive business after private players entered the marketplace. While this was required to a great extent in the interest of increasing insurance penetration in the country, on the other hand it also resulted in instances of gross mis-selling by unscrupulous salespersons. In the desire of ‘closing a deal’, critical elements of insurance selling like explaining the coverage, exclusions, duties of insured in the event of claims and the like are often not communicated to the insured. These are the lapses that hurt the insured more than the salesperson in the eventuality of a loss.

It has been observed that many of the complaints are a result of insufficient services, wrong communication and administrative failures. Quite often, the point of sale is the root cause for most grievances as the consumer does not know or just doesn’t understand what he is buying. Various other factors like delay in payment of premium, less understanding about benefits, hidden charges, fake claims and tough policy wordings create controversy between policyholder and Life insurance Companies due to less returns or repudiation of a claim.

BUSINESS POTENTIAL IN THE MARKET

In the area of insurance density, significant contribution has been made by the private sector. During the pre-liberalization era, the nationalized
company was unable to target niche markets and was not able to cash the potential market. The private sector has, on the contrary, started looking at the requirements of various segments of the population, and introduced need based selling through excellent counseling. It is not uncommon to see the CEOs of insurance companies personally making presentations to the heads of industrial and service sector companies and advising them on what products are best suited to their employees. The product development has also benefited through these interactions as the insurance chiefs could profitably use their feedback to evolve new products. Through this process they were able to minimize at least to some extent, the problem of under insurance.

In the wake of the global financial meltdown, most investors are looking at options which help them safeguard their capital. Life insurance is seen to be one such avenue. The three key triggers for buying life insurance are Family Protection in case of untimely death, Retirement Corpus and Securing Child’s Future. The insurance sector has a vast potential not only because incomes are increasing and assets are expanding but also because the volatility in the system is increasing. In a sense, we are living in a more risky world. Trade is becoming increasingly global. Technologies are changing and getting replaced at a faster rate. In this more uncertain world, for which enough evidence is available in the recent period, life insurance will have an important role to play in reducing the risk burden individuals and businesses have to bear.

**LIFE INSURANCE PENETRATION**

In India Life insurance penetration is at present about 4.1% of its GDP, much lower than the developed market level of 6-9%. In several segments
of the population, the penetration is lower than potential. For example, in urban areas, the penetration of life insurance in the mass market is about 65% and it’s considerably less in the low-income unbanked segment. In rural areas, life insurance penetration in the banked segment is estimated to be about 40%, while it is marginal at best in the unbanked segment. The total premium could go up to $80-100 billion by 2012 from the present $40 billion as higher per capita income increases per capita insurance intensity. The average household premium will rise to Rs 3,000-4,100 from the current Rs 1,300 as will penetration by the existing and new players. India’s ratio of life insurance premium to its GDP is around 4 per cent against 6-9 per cent in the developed world. It could rise to 5.1-6.2 by 2012 in tandem with the country’s demographic profile.

**NEED AND RELEVANCE OF THE STUDY**

The massive increases in the size of the economies, reduced and rapid globalization that were witnessed in the recent times have led to unprecedented changes in the way the economies function. In the same way after the liberalization the Insurance industry too has witnessed revolutionary changes with a creation of new classes of products, increasing complexity of the products and a growing preference among the institutions to pass on investment risk to the investors. At present as many life insurance companies are operating in India and each one is issuing policy formats with different variations. As there is no uniformity, it is difficult for the market as well as policyholders to comprehend and make reasonable comparisons of terms and conditions, privileges and benefits offered by different insurers. Although most of the earliest studies have predicted about the various problems & growth opportunities in the life insurance sector but most of
them belongs to pre-liberalization period and that is not significant in this liberalized and competitive era where most of the companies are private other than LIC. Hence, it is worthwhile that a serious research should be done to find out the complexities of the life insurance market with a view on growth opportunity which provides much needed solution without compromising the competitive spirit of the market. As well as Life Insurance contracts are heavily dependent on reciprocal obligations and in an ideal situation, where both the parties have fully understood their rights and responsibilities, and acted accordingly; the situation of dispute never arise. We have observed the level of dissatisfaction is higher in private company’s customers because of fake promises made during selling process. It has often been said that there is a great deal of asymmetry of information in insurance contracts; and most of this asymmetry arises because the policyholder does not understand the degree of the contract – either on account of the lack of awareness or owing to the fact that the insurer has not bothered to explain the terms of the contract in their exhaustive detail. The insurance sector has a vast potential not only because incomes are increasing and assets are expanding but also because the volatility in the system is increasing. In a sense, we are living in a more risky world. Life is becoming increasingly riskier. In this more uncertain world, for which enough evidence is available in the recent period, life insurance will have an important role to play in reducing the risk burden individuals and businesses have to bear. In the emerging scenario, the insurance industry must pay attention on emerging problems and find out the ways for grabbing the potential of the market. Therefore this much needed study focus on the current problems with a view to formulate the solutions and explore the new avenues of growth.
OBJECTIVES OF THE STUDY

This study has focused on the current level of Life insurance scenario. It is focusing to find out various problems areas where customers are lacking confidence on Life insurance companies and how we can differentiate those problems Public & Private companies. The analysis is useful in formulation of strategies for better service efficiency & products benefits.

The objectives of the study are:

1. To find out the preference level of the customer about the selection of the company and compare the parameters of selections.

2. To find out various purposes on which customers buy life insurance and reasons to choose the service provider accordingly & evaluate the relevance of the purposes & reasons.

3. To find out the preference of the intermediary while buying the life insurance and relevancy of the selection of the said intermediary.

4. To check the awareness level of life insurance among the population & critically evaluate the policies made by public & private life insurer to enhance the awareness level.

5. To find out overall satisfaction level of the policyholders of life insurance and examine the impact of existing strategies adopted by public & private life insurers to enhance customer satisfaction.

6. To suggest strategies for better service efficiency & products benefits.

Based on above objectives certain sub-objectives formed and tested through collected data. Those sub- objectives are:
(i) To find out basic reasons for fewer life insurance ratio in the population and suggest the strategies to overcome the problem.

(ii) To find out current preferences of the type of the products among the policyholders and examine the popularity of products according to needs.

(iii) To find out the problems, with intermediaries and Life insurance companies faced by policyholders and recommend the way out.

(iv) To critically evaluate the service given by life insurance companies (including Claims) and suggest policies for improvement.

(v) To compare the life insurance policies with other existing instruments and suggest policies to enhance the competitiveness of the products.

HYPOTHESES OF THE STUDY

For comparative study of the Public & Private companies on the basis of customer’s perspective of buying life insurance, problems faced by them and growth opportunity the following hypotheses were framed:-

**Hypothesis 0**: The Purchase decision of life insurance policy is independent of type of company.

**Hypothesis 1**: The Purchase decision of life insurance policy is depend on the type of the company.

**Hypothesis 0**: The purpose for which life insurance is bought is independent of the service provider.

**Hypothesis 2**: The purpose for which life insurance is bought is dependent on the type of the company.
Hypothesis 0: Reasons for choosing the service provider is independent of Service providers.

Hypothesis 3: Reasons for choosing the service provider is dependent on the type of Service providers.

Hypothesis 0: Choice of Intermediary to buy life insurance product is independent of Service provider.

Hypothesis 4: Choice of Intermediary to buy life insurance product is dependent on the type of Service providers.

Hypothesis 0: Awareness about the terms & conditions of the policy is independent of Service provider.

Hypothesis 5: Awareness about the terms & conditions of the policy is dependent on the type of Service providers.

Hypothesis 0: Overall satisfaction about the benefits of Life insurance policy bought is independent of service provider.

Hypothesis 6: Overall satisfaction about the benefits of Life insurance policy bought is dependent on the type of Service providers.

RESEARCH DESIGN AND METHODOLOGY

Research design serves as a master plan of the methods and procedures that should be used to collect and analyze the data needed by the decision maker. The master plan can be manifested in one of three main forms of research design, including: exploratory research (which focuses on the collection of secondary or primary data and the use of informal procedures to interpret them), descriptive research (which uses more scientific methods and procedures to collect and interpret raw data) and causal research (which is
designed to collect raw data and create data structures and information that will enable the modeling of cause-and-effect relationships between two or more market/decision-making variables).

The purpose of this study was to explore the problems & prospects existing in the life insurance market including public & private players and do the comparative analysis.

Due to its empirical nature, this study depends upon secondary data and a sample size of customer’s survey. However, for collecting the necessary information it was required to analyze the published information and information collected by survey that is why it was necessary to conduct both Secondary (theoretical) and Primary (empirical) research in order to shed some light on the research problem presented in this study. Regarding the secondary research component, a thorough literature review has been conducted with references from text records, research publication, management journals and articles from newspapers, magazines and organizations associated with the Life Insurance Industry. With regards to the primary research component a survey conducted with the help of structured questionnaire. Field survey gained a lot of crucial perceptions from those who are customers of public & private life insurance companies or those who have not invested in life insurance due to some reasons or problems. The focus of our empirical study was at the micro-level. Data were collected from different places that include metros, middle class cities and some of the villages of various part of the country. The sample customers are representative of all the segments of the population Data were collected using a questionnaire including both structured and unstructured questions, and through in-depth interviews with people involved in investing
and non investing activities. The respondents were generally servicemen, businessmen and non working community.

Interviews focused on the possible problems faced by the customers, constraints related to insurance operations and opportunities available in the market. Data collection was carried out in 2008-09. The data was analyzed using SPSS for Analysis of Variance, Correlation Analysis for testing the hypothesis. The results were presented from a total of 511 samples.

The literature review, industry exploration & trends, and consolidated marketing strategist views of the companies were used as inputs in the development framework for suggesting strategies to develop sustainable competitive advantage in the Life Insurance Industry.

**SELECTION OF SAMPLE**

Data were collected from different places that include metros, middle class cities and some of the villages of various part of the country. The sample customers are representative of all the segments of the population. Data were collected using a questionnaire including structured questions, and through in-depth interviews. The respondents were generally servicemen, businessmen and non working community. Data collection was carried out in 2008-09. The data were analyzed by Chi Squire Analysis using SPSS for testing the hypothesis. The results were presented from a total of 505 samples.

**SOURCES OF DATA**

This study is based on both the analyses of Secondary as well as Primary data. This was done in two phases. Regarding the secondary research component, a thorough literature review has been conducted with references
from text records, research publication, management journals and articles
from newspapers, magazines and organizations associated with the
Insurance Industry.

Following the analysis of the secondary material, with regards to the primary
research component a survey conducted with the help of structured
questionnaire. Field survey gained a lot of crucial perceptions from those
who are existing customers of Public & private life insurance companies or
those who have not invested in life insurance due to some reasons or
problems. Interviews were focused on the possible problems faced by the
customers, constraints related to insurance operations and opportunities
available in the market.

The literature review, Industry exploration & trends, and consolidated
marketing strategist views of the companies were used as inputs in the
development framework for suggesting strategies to develop sustainable
competitive advantage in the Life Insurance Industry.

DATA COLLECTION

For the purpose of this study, data was collected with the help of a structured
questionnaire which was personally ordered. The questionnaire developed
was consisting of suitable 26 close ended questions to suit to the
requirements of the present research. The interviews lasted for 15 minutes to
30 minutes. . The questionnaire was pre tested for its content validity
through an extensive interaction with the eminent experts and practitioners
in academics as well as industry.
VARIABLES USED IN THE STUDY

The questionnaire adapted to suit the requirements of the present research. The investigation included certain recent facts where the life insurance customer is facing problems. The interview schedule contained 26 statements related to the Insurance status, Choice of Company, Purpose of Life insurance, Income & Premium, Type of Intermediary, Problems related to Intermediary and Service Provider, Problems in Policy, Problems in Claims, Benefits & returns, Insurance disputes and Comparison with other available financial instrument in the market.

ANALYSIS TECHNIQUES

On the basis of the objectives drawn up for the research, the field data was processed and the issues were analyzed by using appropriate statistical tool by using SPSS software. Chi square test was used to test the relationship among the factors. The analysis is given in the form of table, Charts and statements regarding findings.

CHAPTERS OUTLINE

Chapter One is an introduction to the study. Critical issues such as the background and conceptual framework for the study, the statement of problem, objectives, research design and methodology are exhibited.

Chapter Two explore the review of existing literature. This chapter focuses on the problems & opportunities in various aspect of the life insurance. Each aspect has been reviewed to identify the gaps in services & challenges faced in the market and analysis of the internal and external competitive environment to asses its capabilities to achieve dynamism and sustainable growth in the future.
Chapter Three exhibits the overview of the growth of life insurance industry on the basis of pre and post liberalization scenario. It gives both historical & modern perspective. It discussed about the issues and process of nationalization & throws light on tremendous growth after liberalization.

Chapter Four review the contribution made by insurance industry in the growth of economy & the various sections of the society. Here we critically evaluated the steps taken by public & private sector companies for the welfare of weaker section of the society and growth opportunities for further developments and explore the existing legislation to regulate life insurance business. Each aspect has been reviewed to identify the gaps in the law where private companies are taking undue advantages and review of suggestion given by IRDA & other committee to reform the current system.

Chapter Five exhibits the recent development in regulatory environment in post liberalization scenario. This chapter discussed about the need for legal reforms, current legal problems and action taken by IRDA for the sake of Policyholder.

Chapter Six deals with the research methodology of the study. Need and scope of the study have been mentioned. The objectives, hypothesis and the research design, and limitations of the study have been stated.

Chapter Seven reports the analysis of data and interpretation of findings. Statistical analytical tools have been applied in order to gain insights and test the hypotheses.

Chapter Eight provides conclusion and interpretations regarding the application and testing of the framework in the life insurance industry and recommendations leading to suggesting strategies to develop new business,
new innovative products, stretch the market reach with innovative thoughts and find out optimum solutions for the existing gap of services & products benefits.

CONCLUSIONS AND RECOMMENDATIONS

Based on data analysis this study arrived at certain conclusions. Here the descriptions of those conclusions along with recommendation are follows:

**Conclusion:** In terms of general preference of the type of the company while buying the life insurance policy the Customers prefer public company over private company while buying Life Insurance policy. The probable reasons behind Customers preferring public company over private company while buying Life Insurance policy are as follows:

a. Life Insurance Corporation of India, the only life Insurance company in public sector is the oldest insurance company and therefore is widely known.

b. It has a very strong & wide network of people and branches through which business is transacted.

c. Being a corporation supported by government it earns natural trust of People which does help in business.

d. The above has helped LIC to penetrate into rural market too.

**Recommendations:** It’s already established above that customers prefer public life insurance company to private insurance companies. In order that the private life insurance companies become the preferred insurance provider in view of the general public they need to evolve their business strategies and policies remembering that they have to take action on various fronts namely:
• They have to take on LIC which excels in all parameters of business even against the combined business all the private companies put together.

• Even as of now the penetration is not more than 4-5% in India, indicating the existence of vast untapped potential in the market. Further the diversity in this untapped potential is huge in terms of paying capacity, emerging life insurance needs and sociological factors like nuclear nature of family and changing life styles. Therefore companies need to acquire opportunities.

• Since we can see the life expectancy getting gradually higher & at the same time pension system gradually getting abolished, there is urgent need to come up with novel and innovative life insurance annuity products that are low in premium but high in risk free returns & features.

• The above will call for completely re-engineer all the key processes like product design, Premium calculation, Marketing and selling and most importantly becoming customer oriented not only in letter but in spirit also, in addition to making policy changes.

• The private companies should understand that the real competition is neither with each other, nor with LIC but with the untapped market. To tackle this issue they have to launch war on two fronts. One is customer education to convince the people at large about the need & benefits of life Insurance on mass scale by making effective use of media. Second they have to come together to convert the potential demand into real demand.
**Conclusion:** When it is the question of purpose of taking life insurance policies the Customers prefer public company over private company when the purpose is future need and Customers prefer Private Company over public company when the purpose is to avail loan against Life insurance.

- The probable reason for customers preferring LIC for future needs is because investment in terms of regular premium is going to blocked for long term (generally 10 years or more) Therefore customers value the trustworthiness of the company. Considering this LIC becomes their first choice.
- As regards customers preferring private companies for the dual purpose of Life insurance cum availing loan is because, most of the private companies being providers of loan and life insurance both, operationally and time wise it becomes easier for the customer.

**Recommendations**

- To overcome of above problem Private life insurer should check if their existing products meet the future need of the customers. If found lacking they should identify the future needs of the customers and designed the life insurance product accordingly. However if the products are already found to be meeting customers requirement (Which can be easily verified by conducting customer survey) they should strengthen their processes of creating public awareness and sales and marketing.
- Public companies should come up with life insurance products which go beyond insuring the lives of the customers alone, and extend to cover the loan related needs.

**Conclusion:** When the question comes about reason about choosing the type of company, the Customers prefer public company over private company
when the reason for choosing service provider is Trust & Personal Contacts. Customers prefer Private Company over public company, when the reason for choosing service provider is Better Product, Services & Approach.

- The reason for customer preferring LIC on the basis of Trust & Personal contacts is due to increased confidence & trust on Public sector, which has backup of the central government & very wide and strong network of agents & development officers.

- Reasons for customers choosing private companies for better product, services & approach is, being private in nature the private companies come up with host of new products with multiple features that suits the varying needs of the customers.

- Further they have much faster rate of introducing new products. As regard service & approach the private companies have much better office ambience in addition to convenient working hours for the customers.

**Recommendations**

- No amount of general advice will overcome the lack of confidence consumers have in the Private players unless Private life insurance players change their culture and develop strategies. The commitment made in the meetings must embrace every aspect of the service chain.

- Customer servicing today has become the focal point of life insurance companies. It is an area where the new companies are clearly ramping up by bringing in their best practices and operational efficiencies by appropriate use of technology. There is a greater sensitivity in dealing with the customers. However, a lot needs to be done. Insurers need to fast gear up to the situation and the real
response and turn-around time in delivery of services needs to be reduced in specific areas like delivery of first policy receipt, policy documents, premium notice, maturity payments, death claims etc..

- If they can develop a set of values that recognizes how closely consumer confidence is bound up with customer service, and instills these values throughout their workforce, then treating customers fairly should be a natural consequence.

- Private players have to understand their responsibilities and operate with fairness, transparency and integrity that the industry will be able to build the trust of all stakeholders.

- All the above will have meaning only when an active commitment by the private insurance providers is expressly conveyed and acted upon. For example one way to express this commitment is to waive the specified no. of premium installments in case of some default on the part of insurance provider.

**Conclusion:** When question comes about preference for choosing the service provider (Intermediary) the Customers prefer Consultants when life insurance to be bought from Private Companies and Customers prefer Agents when life insurance to be bought from Public company.

- The reason behind customers buying life insurance from private companies through consultants, can be seen more from the angle of consultants who rigorously do follow up with the prospective customers due to increased motivation to sell on account of handsome commission they receive from the private companies which is generally not possible with LIC.
• The reason behind customers buying life insurance policy from public company through Agents is because the agency network is stronger and wider in public companies as compare to private companies. Besides the presence of private companies in rural areas is low as of now as compare to much stronger network of public company, Further the agent’s role as life insurance seller provide more flexibility in terms of freedom to do pursue other remunerative jobs/Business as compare to consultants of private companies.

**Recommendations:** The LIC should identify the success factors that private consultant possess like personality traits, product knowledge, work practices and other such qualities through which they are able to win the confidence of the customers and inculcate the same in their agents and development officer through training and other such means.

• LIC being very old and traditional player in the field has developed over the years some kind of complacency which becomes the greatest blockage considering the current scenario. The evolutionary path for effecting will not work as LIC is in the field of business and not charity. So unless they choose a revolutionary path for effecting change it will be difficult for LIC to remain in forefront of Life insurance industry. One of the ways to effect revolutionary change but with controlled speed is to make the agents and development officers accountable for the business, as against the present policy of giving them remuneration proportion to business they do.

• The equivalent of agents in private company, are much less in number compare to public company. Private companies should increase the
agency strength and deploy the same in speedy manner to cover the immense untapped market, specially the rural market.

**Conclusion:** It can be observed from the testing that Awareness level of the terms & conditions of life insurance are high in the case of Private Companies. The reason behind the awareness level of policy terms & conditions being high in private companies is due to higher communication skills & knowledge of intermediaries of private companies as compare to public company. In addition the customers who represent the qualified and professionally well placed segment, is relatively high in private companies. Both these factors combined together to result in better & quick understanding of terms & conditions.

**Recommendations:** To enhance the awareness among the policy holder LIC have to take following action:

- The aspect of transparency reigns supreme in life insurance business. The product design, all the modes of communication for example marketing literature, retail promotions material, product brochure and the personal interaction between the prospective customer and the insurance or its representative should be such as to address even the smallest query of the customer. and proposal are all contributors to the above.
- Having lot of branches in rural areas LIC need to use simple formats and languages that is understood by a layman.
- An insurer should also assess whether the policy conditions are unnecessarily complex and hence difficult for consumers to understand. Moreover, changes to the policy design, such as the addition of a particular exclusion, may change the target customer base.
• In India, emphasis should move to greater use of the local vernacular, if required. This greatly enhances the customer’s understanding of life insurance products.

• Improvements in consumer education, if achieved, imply that insurers should be prepared for a more knowledgeable market, asking more difficult questions. Better communication cannot be solved purely by regulators telling companies what to do. Necessary steps also need to be taken to develop a common terminology. This is an area where some common industry approach might help consumers for well awareness.

• The efforts taken by not only private players but even LIC on customer education/Awareness creation are abysmal. Obviously a lots need to be done by the insurance providers, private and public alike. This becomes the best platform for public-private partnership which we see becoming common specially in infrastructure area.

**Conclusion:** It observed from the testing that Overall satisfaction level about the benefits of life insurance is high in the case of Private Companies. The reason behind overall satisfaction level about the benefits of life insurance is high in the case of Private Companies is due to the following reasons:

• The life insurance products of private companies along with subsequent services have features and flexibility that customers require.

• It is always easier for the customers to deal with the company through a single-window for sales & after sales services which is largely available with private companies which are Banks cum Insurance provider.
• The fund management of private companies being more efficient as compare to public companies the same gets translated into better returns for the policy holder.

Recommendations: To overcome the problems of dissatisfaction LIC need to act into following areas.

• Public company should conduct a survey among the customers of private players to find out the basic reasons for their satisfaction with private players, their products, after sales services, their marketing strategies and other such factors. Company Management Information must have these benchmarks and actual performance as key company performance indicators.

• Every customer must have right to be having his complaints redressed freely and conveniently. Similarly, the claims process should be simple; paperwork must be relatively hassle-free and quick.

• There are legitimate concerns about misselling practices and problems linked to Life insurance agents’ remuneration model, which cast an bad view on the industry’s image. There is a pressing need to simplify and standardize the system, in order to reach a greater transparency and to enhance customer confidence.

• At the same time, there is need to pay close attention to staff training, so as to make sure that the sales force is technically competent to make the correct product recommendations to customers. This will minimize the incidence of grievances.

Attainment towards the Sub-Objectives, further analysis has done and concluded as follows:
**Conclusion:** The most significant reasons why people are not insured are financial incapability, less interest and unawareness, among theses reasons where financial incapability gives indication to insurer to design some cheaper products which can cover the limited income of weaker section of the society, on the other hand less interest and unawareness gives opportunity to insurer to grab the untapped market due to unawareness and non-attractive products. So above issues can be handle with proper strategy and policy to create more attractive products and enhance awareness.

**Recommendations:** To increase the market share of life insurance in financial market and enhance the level of life insurance penetration life insurance companies have to adapt following strategies:

- Customer expectations and awareness have significantly increased in recent years, particularly in terms of better and speedy service, accurate pricing and customized solutions. There is need to make such a policies where companies can cash the untapped potential of the market.
- In today’s challenging economy and competitive business world, retaining your customer base is critical to your success. If you don’t give your customers some good reasons to stay, your competitors will provide them with a reason to leave. This could be through product choices or agent relationships.
- One of the main shortcomings of the population of this sector is uneven and scattered income patterns. This scratchy model of earnings at times affects their livelihood limiting their ability to pool up the savings to meet their immediate social security needs like life insurance. Moreover, these income trends also land them into the clutches of vicious credit
cycle. Products with premium holidays may offer a solution in meeting the life insurance needs of these sections.

- The companies which have a significant policyholder portfolio can have leverage on their existing customer data to identify further sale possibilities through data mining techniques. This method will help companies to increase their sales through less effort and expense. Even the promoters’ customer data can be utilized for this purpose.

- It is critical for life insurance marketers and distributors to adopt a winning attitude. In fact, strategies should be driven towards maximization of gains rather than minimization of losses.

**Conclusion:** It observed from data testing that the Customers prefer public company over private company when they purchase money back policies and the Customers prefer Private Company over public company when they purchase Endowment policies. The reason behind preference of public company for money back policies can be the traditional nature of the policy where the policyholder wants regular returns along with protection. This class of policy more belongs to business class who want money at regular interval. People prefer private Companies for Endowment policies which consist death and maturity returns due to better fund management.

**Recommendations:**

- To make policies more attractive policymaker should come up with innovations in product, that should be flexible, customer need based and affordable.

- In order to remain competitive, companies need to embrace and seek out change, rather than avoid it or wait until competitors force change upon them. One way to move ahead of competition is to develop and launch new products in the marketplace.
Another very important feature that would need to be addressed with a sense of urgency is the need-based selling of a particular product. This presupposes that the distributor clearly understands the needs of the clientele and makes a good match of the need and sale. This will go a long way in improving the business retention levels of life insurers. Further, the improvement in the quality of business is certain to bring about a sense of accomplishment for the insurers that would lead to better efficiency levels and also add to their market reputation. There is need for ensuring that the analytical levels of the distribution personnel take a quantum jump and also that they evince a better sense of responsibility in fulfilling the needs of their clients.

In order to remain competitive, companies need to seek out change like mix of two kind of policies, convertibility of policies, interchanges of funds etc. rather than avoid it or wait until competitors force change upon them.

**Conclusion:** It observed from data analysis that the Customers are facing major problem of unsatisfactory services from agents of life insurance companies that includes various aspects of pre & post sales services. Life insurance officers are mostly involved into misguidance of the customers than we can relate to fake promises regarding benefits & returns and pricing of the policy.

The reason behind unsatisfactory services of agents could be less training and more engagement into their main service or business. Less knowledge about products & CRM also could be reasons. The Officers misguide the customers due to huge pressure because of business targets and Incentive base remuneration.
Recommendations:

- One way of assessing agents’ behavioral performance is to look at the number of complaints and compliments that insurers receive on each agent. The insurance industry’s common practice is to hand out awards to agents based on their sales results. Perhaps, insurers could consider rewarding those agents who perform well according to the complaints and compliments received, and who deliver long-term customer satisfaction.

- Conversely, insurers could stop working with Intermediary who generates a high level of complaints. Insurers should make such a policy highly visible to its Intermediary, so that it will act as an effective restraint to unethical behavior and unfriendly attitudes toward customers.

- At the same time, there is need to pay close attention to staff training, so as to make sure that the sales force is technically competent to make the correct product recommendations to customers. This will minimize the incidence of mis-selling.

- The industry needs to look for new markets and new ways of distribution which reflect consumer diversity. Insurers should be given an incentive to introduce socially responsive product innovations and alternate distribution channels that reduce costs overall.

Conclusion: It observed from data analysis that the Customers of Public companies are facing the problem of non-explanation of terms that’s why most of them (Customers) are unaware of terms and conditions of the policy. Reasons again could be less training & unskilled force of agents in rural areas as discussed above and Customers of Private companies are facing the problem of Ignorance. This problem is not from insurer side, actually it is carelessness of the customer itself. Where he doesn’t ask any question to the
intermediary or least try to understand the terms and conditions of the given policy. This could be due to over confidence or lack of time.

**Recommendations:**

- The insurance agent is an advisor to the customer. It is important that the advice is in line with the customer’s unique life-stage situation, financial circumstances and future requirements. This aspect of providing advice usually has not received adequate attention from the Industry to measure and improve. But I believe this is a critical aspect for the progress of Life insurance industry. As discussed above less-training is also a major factor of no awareness.

- Consumers need both clarity and frankness. The drive towards plain language and issuance of documents in local languages can make some documents more attractive and easier to read.

- The insurer or his representative should ensure that all material information about the product being sold is given and the customer is able to decide which the best cover is for him.

- Improved financial literacy requires an increased public awareness of the issues, as well as the many state, local, and national resources that are available for financial literacy. The Government must make its financial literacy resources more easily

- Developing a wide variety of effective channels is an important facet of the financial literacy challenge. Information can be disseminated in many settings, including the workplace, schools, media, and through community organizations. available. This is important in order to better leverage existing financial education resources and avoid overlap or duplication. By using direct and creative messaging, an
effective media campaign can help establish web portals to which consumers can turn when they need to easily find financial education materials on a wide range of important financial topics. Using this multimedia strategy, we can begin to build national awareness of the many valuable, free resources that are available to all citizens.

**Conclusion:** It observed from data analysis that Customers of Public companies are facing the problem of non-receipt of notices. This shows the service inefficiency of public companies. Reasons again could be traditional work culture and less competent policies. Another reason could be non-availability of communication service in rural areas and Customers of Private companies are facing the problem of Untransparency. This problem is related with conditions of returns, hidden charges and less clear policies. This could be due to profit making intention and technical nature of business where a normal customer find it difficult to understand the terms.

**Recommendations:**

- Too often consumers are seen as a homogenous mass, and this is reflected in a standardized approach. Insurers need to be more sensitive to the differing information and advice needs of different groups of consumers.

- Insurance is a complex service product, difficult to understand and having a wide variety of facets and is couched in difficult language. Thus transparency at various levels is required to avoid an unnecessary backlash owing to wrong selling.

- Insurance companies need to continue to strengthen the mechanism of collection of premiums from the customer and simplify the process to ensure highest degree of persistency of their portfolio. Innovative modes
of collection now need to be commonly used, including direct bank debits, mobile collection units

- Insurance is all about service. Protection of the policyholder requires compliance with a number of obligations. Competitive differentiation requires further excellence in ensuring ease in obtaining the required services.

**Conclusion:** The main problem faced during the policy is hidden charges. There are two points of view against this problem. One this could be really a malpractice of life insurance companies where due to complex wordings of policy and technical nature of contract they take undue advantage of the circumstances, Second may be at the time of selling the same charges were there actually written in the policy contract but due to less knowledge of complex conditions & wordings about product charges and benefits, customers were not able to understand at later they find it difficult to pay. In few cases of lapsation of policy the contribution of reason was not receipt of the notice and at the same time negligence from the customer side.

**Recommendations:**

- An insurer should be able to show that its products have been designed to meet the needs of its selected target market.

- The product will come alive into the real needs of consumers only by changing the product to suit the segmental or geographic requirements. Otherwise customer find it not suitable that leads to Lapsation of the policy.

**Conclusion:** The respondents were very few in this segment so it’s very difficult to draw any conclusion but by qualitative analysis we can observe that the problems level is almost same in both public & private companies in terms of payment of maturity or death claim. But we can see in the analysis
table that Private companies are into better services after claim comparing to public company. This can be due to strategy adapting to attract more new customers towards company and preparing a basis or parameter where they can show that they are better than public company.

**Recommendation:**

- It is important to have a clearly defined claims philosophy in place. The claims objective should be to settle all genuine claims within the shortest period of time and ensure that client is satisfied with the experience. It also has to keep an eye on non-genuine, fraudulent claims or inappropriate claims. Fraud detection approaches need to balance fair treatment of customers, particularly the illiterate who may be caught out by more aggressive questioning techniques. Where elements of the process are outsourced, it is important to ensure that any outsource providers follow the same Customer treatment standards as the insurer. Every customer must have right to be having his complaints redressed freely and conveniently. Similarly, the claims process should be simple; paperwork must be relatively hassle-free and quick. Standards have to be established by companies and communicated to customers regarding the time taken to resolve queries, complaints and to settle claims.

- While the reasons for a claim rejection could be several, and on many occasions justifiable from the insurer’s point of view; in the case of a policyholder, it is always a case of a denial – particularly in nascent markets where the awareness levels are low. In order to overcome such situations, insurers should adopt a proactive stance and explain the limitations of the contract to the insured – especially the retail customers.
Conclusion: Legal Disputes: In this segment Cases were very few so we cannot draw any conclusion from the data but looking at the outer picture we can recommend some suggestions to minimize the legal dispute between policyholder and life insurance companies.

Recommendations:

- The insurance industry needs to engage in serious dialogue on a regular basis with consumer bodies and other interested parties on issues such as access for the less affluent and general consumer confidence.

- There is a need for the industry, the regulator and consumers to establish a collective, forward-looking joint agenda. This should particularly focus on how the industry can better serve its customers legal problems.

- The IRDA may consider establishing a broad ranging forum, including representatives from all parts of the industry, consumer groups, the IRDA and Government. They should meet regularly with the aim of agreeing priorities, monitoring progress, giving early warning of problems that might be arising and putting pressure on laggards in the industry to catch up with best practice.

Conclusion: Most of the Customers of Private companies find life insurance as better option compared to other investment options and very less in public companies. The reasons behind it could be that private life insurance companies hire better fund management managers, they have better knowledge about how to invest accumulated premium in various equity options and switch from one portfolio to another according to market
conditions, by this way the customers of private companies get more fund value and they find life insurance better option compared to other options.

**Recommendations:** To overcome of above problem LIC need to hire more competitive and skilled fund managers where they can understand the movement of the equity and debt market and react accordingly. They need to find out loopholes in the premium investing system and give more flexibility to customers to invest the premium to their own choice of sectors.

**Conclusion:** It observed from data analysis that the Customers of Private companies who prefer other instrument they choose mutual fund as a first option, In case of public company the first preference is Equity shares. Real Estate is the similar choice of the both company’s customers. Debt instrument like bond which is risk free, is also a good choice of private companies’ customers. It could be due to huge losses in ULIP products in the last few years.

**Recommendations:**
- The life insurers, in the long run, have to compare fairly in the areas of pricing, features, servicing and distribution strength in order to remove the threat of product substitution.
- An insurer should be able to show that its products have been designed to meet the needs of its selected target market.
- Appropriate key performance indicators are important to enable senior management to monitor the profitability of product and whether the product is being sold to the appropriate target market and meets the needs of the customers.