CHAPTER 5

SUMMARY OF FINDINGS AND RECOMMENDATIONS
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As an aid to the reader, this final chapter of the thesis restates the research problem and reviews the major methods used in the study. It further summarises the result, puts forward the conclusions and give the implications and recommendations based on the result.

The insurance business in India has been presenting tremendous growth in the post nationalisation period. Even though it has succeeded to a great extent in combining both commercial interest and social obligation, there are deficiencies in its overall performance. Presently, the insurance sector in India is at a critical juncture on account of the event of liberalisation and globalisation.

The reforms and structural changes in the insurance sector in the post liberalisation era offer new challenges and opportunities for the insurance companies. After liberalisation, the public sector insurance companies had to function in a new competitive environment. In this context, the relevant issue is how do and in what way the reforms in the insurance sector affect the Indian insurance industry. In this connection, the following objectives and hypotheses were framed for the study.

5.1 Objectives of the Study

The main objective of the study is to examine the impact of reforms on the Indian insurance sector and the following are the specific objectives formulated for the study.
1. To measure and analyse the awareness, attitude and perception of policyholders on the reforms and privatisation in the Indian insurance sector.

2. To assess the impact of reforms and privatisation of Indian insurance sector in terms of certain performance indicators.

3. To evaluate and analyse the emerging trends in the growth and performance of insurance business in India.

4. To examine the relevance and significance of the integration of the banking and insurance sectors in the post liberalisation period.

5. To determine the market penetration of insurance in rural areas with special focus on micro insurance.

5.2 Hypotheses of the Study

The following are the hypotheses formulated for the study.

1. There is no significant difference in the degree of influence of financial motives on the purchase decision with regard to insurance products.

2. There is no significant difference in the performance of public and private sector insurance companies in respect of SERVQUAL attributes.

3. There is no significant difference in the performance of public and private sector insurance companies in respect of SERVQUAL attributes in two time periods.
4. There is no multiple correlation among SERVQUAL attributes.

5. There is no correlation between marketing effectiveness of insurance companies and post purchase behaviour of customers.

5.3 An Overview of Methodology

Both primary and secondary data had been collected for the study. The primary data was collected by conducting sample survey by administering questionnaire on respondents. Secondary data has been collected from reports on customer surveys conducted by research institutions, insurance companies, research journals etc. Simple random sampling was used for the selection of sample units with due representation of policyholders belonging to northern, central and southern areas of the state of Kerala. The sample of the study consisted of 200 respondents who were selected from sample frame prepared from the list of policyholders furnished by different insurance companies. To quantify qualitative variables pertaining to the research problem, itemised comparative rating scale was used. Mean, standard deviation, correlation were the descriptive statistical measures used for the analysis of data. P-value, t-test, principal component analysis are the different statistical measures used for the study. Tables and graphs were appropriately used for the presentation of data.

5.4 Summary of Findings

The major findings of the study are presented in this chapter in terms of the objectives of the study. The summary of the findings has been derived from the results of the study that are discussed in the
fourth chapter in detail. The researcher focuses on the thrust areas of the research topic while summarising the findings that are discussed in a sequential order of objectives under four parts.

The first part covers the major findings in respect of customers' responses, attitude and perception on the impact of reforms and privatisation on the insurance sector and other developments. The second part focuses on recent trends in the growth and performance of Indian insurance business in terms of certain selected variables. The third part presents relevance and significance of bancassurance in the promotion of insurance products. The fourth and the last part summarises the findings on rural insurance with a special focus on micro insurance.

After summarisation of the findings of the study, some practical suggestions based on the problems diagnosed from the findings are also presented here, followed by managerial and social implications of the study and conclusions.
Part - 1

Impact of Reforms and Privatisation of Insurance Sector - Customer’s Perception and Attitude

Customers/policyholders, being the cardinal point in the marketing of insurance products which is really sold rather than bought, the diagnosis of possible financial and social impact of reforms and privatisation of insurance sector is very important to have a clear idea on the reality of these developments. The major findings on these objectives are:-

1. Demographic profile of customers shows clear domination of males in the insurance sector with seventy five percent resulting in low involvement of females in the Indian insurance sector.

2. Age of the policyholders exerts strong impact on the purchase decision of insurance products. When customers belonging to the age groups of 35-49 and 50-64 have high preference for insurance products, customers in the young life cycle exhibit low propensity towards insurance.

3. More than fifty percent of policyholders are employees while the businessmen and professionals constitute a comparatively low proportion of total customers in the Indian insurance sector.

4. Highly educated people have very high preference for insurance since about seventy five percent of customers have degree / post graduate degree while people with low education are disinterested in covering risk by purchasing insurance products.
5. Incomewise customer segment shows dominance of middle and high income group in the Indian insurance sector while the share of low income group is very negligible. The exclusion of low income group from the insurance sector is more noticeable in the post liberalisation period, especially after the entry of private players.

6. Similarly, when upper class, upper middle class and middle class constitute about eighty percent of total customers of insurance sector, people belonging to the lower middle class and lower class have very low insurance coverage in terms of total number of policyholders.

7. Display of sign boards, brochures, leaflets, personal guidance of employees and agents, advertisements in newspapers, magazines and electronic media are the main sources of information for customers about insurance products.

8. Government policy, changing profit-income distribution, level of awareness about insurance, demographic profile, cultural and social factors are some of the dominant factors influencing customers in determining their preference for different types of insurance products.

9. Return from the amount invested, risk coverage, liquidity, tax relief, flexibility, financial security at old age and welfare motives are the major motives of policyholders in investing their surplus in different types of insurance products. Among these, return risk
coverage and tax relief are the most dominant motives influencing customers in the purchase of insurance products.

10. Policyholders have a balanced and judicious approach and attitude towards public and private insurance players. A fairly good number of respondents appreciate the role of private players in infusing professionalism in the insurance sector and in triggering the required competition to motivate the public sector companies to improve quality of service provided to customers.

11. The customers perceived the role of insurance advisors as risk consultants providing various value added services like claims management, contract reviews and safety programme recommendations. They are also of the view that the brokers are instrumental in reducing the temporal and energy cost involved in purchasing insurance products.

12. Word of mouth decisions, personality characteristics and culture are the dominant non-financial factors exerting strong influence on public in purchasing life insurance products.

13. The public have more confidence and trust in LIC on account of societal marketing approach, long term sustainability and its commitment in discharging their obligations towards policyholders.

14. Among the SERVQUAL attributes consisting of reliability, assurance, tangibility, empathy and responsiveness, the LIC
outperforms private insurance players in respect of reliability, tangibility and empathy.

15. The performance of private insurance players in respect of SERVQUAL was superior to LIC in the initial period of liberalisation. But the private players were not able to sustain their performance. In the subsequent years while the performance rating of private players showed a downward trend LIC showed an upward trend.

16. Reliability, Empathy and Responsiveness are the dominant SERVQUAL attributes exerting strong influence on the public in purchasing life insurance products and there is a high degree of correlation between these variables.
Part – 2

Emerging Trends and Developments in the Indian Insurance Sector

The emerging trends and other developments in the Indian insurance sector in terms of impact of reforms and privatisation, emerging challenges and opportunities, innovative marketing programmes and strategies are presented in this section.

Establishment of Oriental Life Insurance Company in 1818, enactment of The Indian Life Insurance Companies Act in 1912, consolidation of insurance legislations to Insurance Act in 1938, nationalisation of life insurance and establishment of LIC in 1956, nationalisation of general insurance business in 1972, opening up of the insurance sector in 1998 and establishment of IRDA in 2000 are the major milestones in the history of Indian insurance sector.

1. In the post privatisation period, the market share of LIC shows some declining trend in terms of policies though the quantum of decline is not very significant. Among the insurance players, the ICICI Prudential has the largest market share followed by Bajaj Allianz.

2. In terms of growth in the total premium collected, there is significant reduction in the share of premium of LIC in the post privatisation period. In terms of premium, the ICICI Prudential has the largest market share followed by Bajaj Allianz and SBI Life.

3. In the post privatisation period, private players are able to increase their policies substantially and there is stagnation in the growth of premium of LIC in the same period. Bajaj Allianz and ICICI
Prudential have the maximum number of policies among the private insurers.

4. Growth in the mobilisation of premium clearly indicate the substantial increase in the collection of premium by private players, especially by ICICI Prudential, Bajaj Allianz, SBI Life and HDFC Standard Life.

5. The performance of LIC in terms of premium collection shows that in the initial period the growth rate shows declining trend and in the later years it continues to present a decent growth rate in the premium collection by initiating innovative marketing strategies.

6. Rate of growth of LIC in terms of premium collection shows steady and consistent increase during recent years. The infrastructure, wide network, huge financial resources, reputation and government support are the major reasons for the fairly good performance of LIC in the new competitive market.

7. Both public and private insurance players have been employing all types of channels. Individual agents, corporate agents, brokers and referrals are the main channels used for this purpose.

8. Among different channels, individual agents is the most popular channel. LIC employs the maximum number of individual employees followed by Reliance Life, ING Vysya.

9. Referrals and corporate agents are the main distribution channels employed by Aviva Life, HDFC Standard, ICICI Prudential and they marketed more policies in comparison to other players.
Part – 3

Integration of Banking and Insurance Sector

The summary of findings in respect of relevance and significance of bancassurance where insurance is integrated with banking institutions are presented here. The summary of important findings under this section is discussed below.

1. The overall trend in the development of bancassurance business is classified into four phases in terms of market orientation, achievements, use of technology and customer satisfaction.

2. Phase one is characterised by low sales, poor sales skills and only standard product selling. Phase two is represented by improved sales through proactive products. Third phase showed higher level of sales skills and co-branding of insurance products which improved customer satisfaction and perception.

3. Fourth phase is characterised by customer focused marketing with Customer Relationship Management tools which improved customer satisfaction, positive word of mouth decisions and customer loyalty.

4. Even though bancassurance is a promising marketing channel for insurance products, only a very few branches of nationalised and scheduled banks are utilised for this purpose.

5. SBI Life is in the leadership position in bancassurance followed by Aviva Life, Birla Sun Life, HDFC Standard Life and Tata AIG Life Insurance.
6. SWOT analysis of Indian bancassurance shows that the real strength of Indian insurance sector in this respect are the large number of full-fledged bank branches in every nook and corner of the country and favourable regulatory changes in bancassurance sector.

7. Restrictions on foreign insurance companies in share of ownership, weak customer data base, weak infrastructure support and low enthusiasm of bank managers are the main weaknesses revealed in the SWOT analysis.

8. The enthusiasm and interest of foreign insurance companies to use bank branches as their main distribution channel and the strategic approach of banks to earn non interest based earnings are the opportunities of Indian bancassurance.

9. The level of awareness of public about bancassurance is fairly satisfactory comparing the degree of their awareness in the initial period of the introduction of bancassurance. However, customers’ awareness in general is not upto the mark.

10. Though LIC is mainly depending on traditional distribution channel, bancassurance is also becoming an important mode of distribution for LIC.

11. The negative attitude of bank staff, lack of technological tools, lack of knowledge and commitment of bank staff and lack of publicity are the main reasons attributed to the low awareness about bancassurance among general public.
12. Degree of preference of customers towards bancassurance in comparison to the products of LIC and private life insurers shows that only a small percentage of customers have high preference for bancassurance products.

13. Customers perceive bancassurance as a value added product since it is recommended by trustworthy bank officials and marketed through full-fledged bank branches without the interference of agents.

14. Majority of customers who have awareness about bancassurance perceive it as a medium or low risk insurance proposition which indicates their faith in this mode of insurance.
Part - 4

Rural Insurance and Micro Insurance

In this part, the major findings regarding the current scenario of rural insurance, role of IRDA in popularising rural insurance, causes for low penetration of insurance are presented.

1. There is a decline in the contribution of rural market with regard to the number of policies during the post liberalisation period. In the case of sum assured also, the contribution of rural business has decreased.

2. The LIC and private insurance companies have met their obligations to rural sector. In the case of non-life insurance companies, New India Assurance Company was not able to meet the rural obligations and thereafter the Company took steps to meet the same.

3. A major portion of the respondents are not aware of the presence, role and functioning of IRDA for the control of insurance business in India and a good percentage of the respondents are not happy with the services rendered by IRDA.

4. Though rural market in India has immense potential, lack of insurance awareness, illiteracy, lack of interest of insurance agents, insufficient infrastructure are the major reasons for the low rate of growth of insurance in rural areas.

5. The major reasons identified for low penetration of insurance in rural areas are low income of rural people, lack of awareness
about various insurance schemes, lack of interest and involvement of agents, illiteracy, lack of distribution network, poor infrastructure facilities and deficiency of promotion programmes.

6. The number of policies sold by LIC in the rural areas had been on the increase up to the year 2000. After the entry of private players, the number of policies sold in the rural sector has decreased. There has been a decrease in the sum assured also. The private players on account of their vigorous marketing strategies have captured sizable portion of rural business of LIC.

7. The major risk factors contributing to the vulnerability of the poor are health problems, death, property loss, enterprise risk, risk of loan and systemic loss.

6. Low income level of rural people, inappropriate promotion programmes, inadequacy in number and variety of insurance products, inefficient delivery system, illiteracy of rural population and inadequate data on rural population are the major reasons identified for low penetration of insurance in the rural sector.

5.5 Suggestions for Practice

In the light of the findings of the study, the following practical suggestions may be presented for improving the performance of life insurance players in the emerging scenario.

1. Though LIC has initiated different strategic steps to restructure and redesign the marketing strategies to cope with onslaught from private players, it should formulate long term plans, policies
and programmes to strengthen marketing. More importantly, LIC should focus on its core competencies like strong infrastructure, skilled and experienced executives and staff, dedicated and dynamic development officers and agents while formulating the strategies and programmes.

2. Since the female segment constitute only a small percentage, insurance companies should formulate and introduce innovative product varieties to satisfy their specific needs and requirements.

3. Since the propensity of individuals in the young life cycle towards insurance is low, a balanced and inclusive marketing strategy with thrust on promotion programmes may be initiated by the insurance players to trigger their interest in the insurance products.

4. To eliminate the problem of exclusion of low income group from the insurance sector, the government, regulatory bodies and insurance companies should formulate pragmatic and inclusive approach to extend the benefits of insurance to the poor and the down trodden. The government should extend more financial and administrative support in this respect.

5. The insurance companies should recognise the importance of social and economic dimensions of insurance in providing social and economic security to people belonging to lower strata of society. Therefore, the insurance players should view insurance in a broader perspective by some restrictions on profit orientation.
6. Return, being emerged as the most dominant factor in purchasing insurance products, the insurance companies should try to follow an educative and sensible approach to convince people that risk coverage is the most important benefit to be sought from insurance.

7. The IDRA should make its presence felt among the policyholders and the general public through continuous and serious administrative actions and interferences. Necessary educative programmes and public campaign must be developed and executed to popularise insurance.

8. The insurance companies should undertake innovative and social oriented training and development programmes for its marketing executives and agents to re-orient and professionalise their approach and strategies. They should understand that for the long term sustainability of insurance sector, the interest of customers should also be protected appropriately.

9. Necessary measures should be initiated to improve the infrastructure and marketing network of insurance in the rural areas to improve the insurance penetration in the rural household sector. All programmes to promote insurance in rural sector should encompass the social, cultural and behavioural realities of the rural population.

10. For enhancing insurance awareness and penetration, the insurance companies should establish tie-up agreement with
regional rural banks and cooperative banks in the rural areas. These financial institutions can introduce appropriate insurance products to rural masses along with other micro finance products.

11. Since customers have large number of complaints against the insurance companies, especially in the settlement of claim, companies should develop more responsive and customer friendly redressal mechanism to settle the complaints. To strengthen the redressal mechanism, IRDA should also come with suitable rules and procedures for settlement of customers’ complaints.

12. Since rural population have not much exposure to the financial market and low priority for long term security, the insurance players should introduce simple products with low premium and use promotion tools appropriate for rural masses.

13. Since Life Insurance Corporation of India has only a very small percentage of business through bancassurance, it should take effective measures to enhance marketing of insurance products through bancassurance.

14. Since the level of awareness of rural population on bancassurance is very low, the insurance companies should restructure their promotion and publicity programmes more professionally to enhance awareness on bancassurance.

15. Since through bancassurance the insurance companies are getting a readymade platform to market their products at a
competitive cost, this channel needs to be tapped to the maximum extent to increase insurance penetration and insurance density.

5.6 Suggestions for Future Research

In the light of the research gaps identified and emerging trends in the field of insurance sector, the following suggestions may be very helpful to undertake further research studies.

In this study, though customers’ behaviour and psychology in the context of insurance marketing is appropriately covered, an indepth and focused study on psychographic and behaviouristic characteristics of customers may produce more useful empirical information. Similarly, the longitudinal studies are very necessary to evaluate the performance level of different categories of institutions. However in the present study longitudinal analysis is limited to certain variables only. Therefore broad longitudinal studies focusing on other evaluative measures on the performance of insurance industry can be included in future research.

Micro insurance is one of the most promising areas of research in the insurance sector. Since majority of the insurable population live in rural areas, micro insurance is the most important mechanism to tap the full potential of rural insurable population. For this purpose more empirical studies on micro insurance should be undertaken to diagnose the different obstacles and problems that are encountered in spreading micro insurance. The present study focused only on certain dimensions of micro insurance. Therefore, new research studies that exclusively
examine the relevance and significance of micro insurance may be undertaken for better insurance penetration in rural population.

Another area where there is scope for useful research is bancassurance. In the liberalised economic environment, insurance should be popularised through optimum utilisation of available infrastructure and resources to minimise the cost. In India, the network of banks and other depository financial institutions is really a strong outlet to channelise insurance products. More importantly, the experienced bank staff who are in direct contact with customers can be effectively utilised for this purpose. Therefore, exclusive research studies on bancassurance to utilise its full potential and infuse real professionalism in bancassurance are highly necessary. Studies on the practices and approaches of bancassurance in advanced economies, the organisation and development programmes required in banks for effective implementation of bancassurance, possibility of utilising other financial intermediaries both in the private and public sector are some of the areas for further research in bancassurance.

5.7 Managerial Implications of the Study

The empirical findings of the study have some strategic implications for top managerial executives and policy makers in the insurance sector. The findings of the study in a managerial perspective reveal certain practical insights and empirical clues to be internalised by the insurance players to face the new challenges of the modernised insurance industry. Improvement in the performance of insurance sector
demands pragmatic long term measures to be implemented in a futuristic perspective.

In this challenging economic scenario, the insurance players, both in the public and private sector should address the emerging problems in the light of reliable data derived from empirical investigations. The findings of the present study on the impact of reforms and privatisation on the insurance sector have some strategic implications for the chief executive officers of insurance sector and policy makers for redefining tradition-centric approach which have been becoming unrealistic and antiquated in the new economic order.

Insurance companies that have a pragmatic approach will consider the research findings seriously to provide appropriate platform for winning initiatives. The insights and practically relevant suggestions derived from the study need to be conceptualised by the insurers in an analytical perspective to transform failures to exultations and problems to opportunities.

The emerging trends in the insurance sector in the context of liberalisation and globalisation scenario clearly suggest certain clues to the top executives of insurance companies to re-examine some unfounded beliefs on the process of privatisation and liberalisation. Even though privatisation has been emerged as the top economic agenda of the government on the arguments of providing better customer service, the private insurance players are not able to pose any significant challenge to LIC. Till date, twenty two insurance players secured license from the government to register their success stories in
the insurance sector by challenging the insurance giant, LIC. However, even after about one decade old combined endeavour of private insurance players, the LIC has been dominating the Indian life insurance sector with a market share of more than ninety percent. The policy makers of private insurance players may understand that faith and confidence of people on the stability, long term existence of insurers and capacity and willingness to acknowledge the legitimate claims of policyholders are the foremost considerations while dealing with insurance. Brand building exercise without much support of the content of core benefits of insurance products may not trigger the desired response from policyholders as expected by insurance marketers.

Similarly, the chief executive officers and top marketing executives of public sector insurance companies may bear in mind that the tradition old faith and confidence of the Indian people in the LIC cease to exist with the persistent effort of private insurance players who have nothing to lose in the Indian insurance market. What the LIC should do is to enhance the attractiveness of their insurance products by adding new ingredients of actual and augmented levels of their products over and above the well designed core benefits of the products offered.

The degree of influence of financial motives of individuals in the purchase decision of insurance products reveals some empirical facts which provide some practical insights to policy makers and marketers of insurance sector. Rationally speaking, risk coverage should be the most influencing motive of the individual in purchasing an insurance product. However, the results of the degree of influence of the insurance motives
divulge a different picture. As per the results, return has emerged as the most influencing insurance motive in the purchase of insurance products, which is normally the most prominent one in the purchase of investment products other than insurance products. This is a clear indication of the mindset of individuals in the purchase decision of insurance products. This contradictory thinking of individuals to a great extent dilutes the original spirit and purpose of purchasing insurance products. One of the probable reasons for this somewhat misguided perception may be attributable to unhealthy marketing approach/practices of executives in the insurance sector in selling the insurance products. The insurance executive to a certain extent failed to educate the target population in the right perceptive. The managerial implications of degree of influence of different motives in the purchase of insurance products by individual customers should be seriously considered by top executives and policy makers of insurance companies for marketing insurance products in the most effective way.

Any way the entry of private players put some pressure on the LIC of India to redefine and restructure its lethargic approaches and strategies in a people-friendly way which kept the LIC in good stead in the most challenging and turbulent environment in the globalised and privatised environment in the insurance sector.