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SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

8.1 INTRODUCTION

This main purpose of this research thesis is to analyse the preference of the customers for Life Insurance products after the privatisation of life insurance industry and study the shift in customer’s choice of a Life Insurance Company. The analysis of data suggests that the arrival of private companies in the life insurance sector has strongly impacted the customer’s preferences towards life insurance products. Private companies have changed the entire concept of selling life insurance and have made their business extremely customer centric. The following is a brief summary of findings, suggestions and conclusion.

8.2 FINDINGS

8.21 Improvements and Innovation in the Insurance Industry

Apart from several other improvements that were anticipated in the aftermath of privatization of the insurance industry, one that was eagerly looked forward to is rapid innovation in product designing. It was felt that on account of several global players making a foray into the Indian insurance domain through joint ventures, the onset of innovative products in insurance was just a matter of time. More than a decade down the line, the industry has had the privilege of such products entering the market, although only a few players have ventured to come out with some imaginative changes in their product portfolio – at least in the form of riders and add-ons. Another area that was expected to register a huge surge is the policyholder servicing, both pre- and post-
sales. While several initiatives were introduced into the industry, particularly in the area of Information Technology, the comfort that was envisaged to be felt is still not forthcoming. The huge number of consumer grievances, especially in personal lines, is a bothersome factor and needs to be set right at the earliest. In addition to consuming lots of precious time and effort of the management, it brings ill-repute to the industry which it can ill-afford at this stage. In the domain of Life insurance, the continuing trend of larger than tolerable levels of lapsation is another area that is posing a big challenge to the players as phenomenon is the lack of professional approach by several of these newcomers.

In the face of these challenges in the insurance industry, according to Mr. Nirjhar Majumdar “wholesome commitment by the agents, is the main reason for higher business retention. (Article on Current Challenges & Emerging Trends) In the words of Dr. G. Gopalakrishna ‘Life insurance has failed to be an essential part of one’s personal financial planning and has been bought for reasons other than as a genuine risk cover’. Irrespective of whatever progress the country and the society demonstrate, the health needs of the economically downtrodden remain unfulfilled; and there is an urgent need for finding a universal remedy for such an incidence.

8.22 Consumer Awareness of Insurance

Findings of the first phase of the study revealed that the employed public considers life insurance as an effective measure of social security. Most of the insured public consider that insurance is better than other investment products and the benefits
received on an insurance policy far outweighs the price paid as premium on the
insurance policy.
Most of the insured population is aware of the basic terms, principles and concepts of
life insurance. However it was also found out that a certain percentage of the insured
population, though a minority still is not convinced that life insurance is a good measure
of social security. Hence the insurance companies should enhance customer
satisfaction and introduce need based products that enable the customers to derive
maximum benefits from an insurance policy. Further it is absolutely essential for the
representatives of the insurance company explain the product and the benefits and
costs of it to the customer clearly without any ambiguity so as to create more trust and
confidence in the mind of the customer regarding the company that they are dealing
with and the product that they are purchasing.

8.23 Effectiveness of Training
The study on training effectiveness suggests that induction training provided by some
private companies are extremely professional. Some of the companies like Max Life
Insurance Co. provide training to candidates who are recruited after a stringent
screening process. The private companies spend a lot of money on training. ICICI
Prudential has spent the highest amount of money on training and development
followed by HDFC Life.

8.24 Analysis of Shift in Customer Preference
The third phase of the study revealed that in the survey conducted among 722
respondents from all over major cities in India, 83.5% of the respondents feel that the
entry of the private life insurance companies have given variety to customers in terms of products offered and 51% of them feel that the monopoly position of LIC in the past put them at a disadvantage. 61% of the respondents feel that private companies are equally secure when compared to LIC.

8.25 Performance Evaluation

An analysis of the financial statements of LIC and the top 5 private Life insurance Companies, reveals that the Net profit shows an increasing trend in LIC only when compared to increase in net profit of Private companies. This is because the increase in Premium is also more in LIC reflected in the increase in Agents’ commission too. Administration expenses and Training expenses is less in LIC. Marketing expenses too are less in LIC when compared to the relative volume on Premiums collected or Sum assured in absolute terms as well as relative percentages. Thus LIC has been consistently giving the mandatory 95% of operating surplus as bonus to policy holders. It was found that among all the insurance companies, public and private, ICICI has spent the maximum on training and development. All private companies are investing in training and marketing so as to create a strong capital base to establish their market in the future. However it was found that LIC is only capitalizing on its goodwill as even though operating surplus is more in LIC, the percentage of growth in LIC in the past 5 years is showing a decreasing trend when compared to its growth rate of the initial 5 years of the existence of private companies. On the other hand, the growth rate of
HDFC Life, is the highest followed by SBI Life and if this trend continues private companies will soon overtake the growth trend in LIC.

Life insurance industry is capital intensive and insurers are required to infuse capital at regular intervals to fund both new business strain and to expand their infrastructure base including expenses on initial operations, training costs for development of distribution channels, creating niche markets and achieving reasonable levels of persistency. The experience of insurance markets globally indicates that companies in the life sector take about seven to ten years to break even.

8.3 CONCLUSIONS

1. In the life insurance industry, in 2011-12, about 20 per cent of the policies aggregating to 35 per cent of the total new business premium of private insurers were sourced through the bancassurance channel. At the industry level, about 5 per cent of the policies aggregating close to 11 per cent of the total new business premium of the industry were received through the bancassurance channel. This was pulled down primarily by LIC which continues to follow an agency-dominated distribution model.

2. There has been a lot of mis selling of insurance products by LIC and the private companies. Mis selling of any product at any time should be avoided on all counts since the contract of insurance operates on uberrimaefidei (utmost good faith) and this applies not only to the insured but also to the company which sells the policy. This will ensure that the customers have no grievances with the insurance company after they have sold the product to the customer.
3. LIC spends the least amount on training when compared to its Premiums received and Sum assured. However it was found that in some private companies training is done in a very haphazard manner and they lack integrity. The trainees do not take the programmes seriously nor do they adhere to training norms. Training provided by LIC ranks second in terms of induction training. However periodic evaluation, planning and review of on-going training programmes is ranked higher in LIC than among most private sector.

4. 79% of the respondents feel the products offered by private Life Insurance Companies are more need based when compared to LIC. Due to quick service by private companies, 82% prefer services of private companies. According to information obtained from IRDA websites it was found that 95% claim settlement cases that were pending were of the public sector giant LIC. Private companies settled claims very quickly comparatively. However the loyalty of the agents and employees of LIC to their clients was much more when compared to those of private sector Life Insurance Companies.

5. It is clear from the profitability analysis that private companies have just had a break even two years back and are now in the position to earn profits and declare bonus to their policy holders. It is but obvious that LIC with a lead of more than 50 years since its inception is the only profit making Life Insurance Company over the past two decades. An analysis of the financial statements of LIC and the top 5 private Life insurance Companies, reveals that the Net profit shows an increasing trend in LIC only when
compared to increase in net profit of Private companies. This is because the increase in Premium is also more in LIC reflected in the increase in Agents’ commission too.

6. Administration expenses and Training expenses is less in LIC. Marketing expenses too are less in LIC when compared to the relative volume on Premiums collected or Sum assured in absolute terms as well as relative percentages. Thus LIC has been consistently giving the mandatory 95% of operating surplus as bonus to policy holders. It was found that among all the insurance companies, public and private, ICICI has spent the maximum on training and development.

7. All private companies are investing in training and marketing so as to create a strong capital base to establish their market in the future. However it was found that LIC is only capitalizing on its goodwill as even though operating surplus is more in LIC, the percentage of growth in LIC in the past 5 years is showing a decreasing trend when compared to its growth rate of the initial 5 years of the existence of private companies. On the other hand, the growth rate of HDFC Life, is the highest followed by SBI Life and if this trend continues private companies will soon overtake the growth trend in LIC.

8.4 SUGGESTIONS

- It is clear from the analysis that private companies have just had a break even two years back and are now in the position to earn profits and declare bonus to their policy holders. It is but obvious that LIC with a lead of more than 50 years since its inception was the only profit making Life Insurance Company over the past two decades. However with the excellent customer centric strategies and
innovation in products have enabled the private companies to compete very closely with LIC position.

- LIC has had to constantly reinvent itself to keep itself abreast with the changes in technology and increase professionalism in services. In the near future as customer awareness increases and insurance culture changes in India to become similar to that of its western counterparts, there is a strong possibility that insurance will become a product that is sought and bought rather than only being sold. In this scenario we will definitely see a complete shift from public sector LIC to private Life insurance companies.

- The first decade has been extremely challenging for the private life insurance companies and some companies like AVIVA are on the market for being taken over by other companies. However the other private companies are strengthening themselves and meeting the challenges and facing the future with expectation. LIC has been capitalizing on its goodwill to retain old customers and bring new ones. However it has been facing the same challenges in expanding its markets, designing new products and building new clients. The future for the life insurance companies is bright where companies will experiment with different models for selling policies. Inspite of stringent IRDA regulations and unfavourable government policies, insurance industry is still set to grow by leaps and bounds in the coming decade.

- Bancassurance has emerged as an efficient and important channel for selling insurance products. The Insurance Regulatory and Development Authority
(IRDA) has already come up with a draft policy outlining that banks can partner with two life insurance companies, two general insurance companies and one health insurance company. There is going to be a lot of growth in this model of selling life insurance.

8.5 Areas for further Research

- This study is an exhaustive study of insurance clientele in the urban localities. There is a lot of potential for research in life insurance in the rural areas.
- Micro insurance in the rural sector is another field of potential research study. Life insurance companies are investing their resources in designing products for small clients paving the way for a massive growth in the micro insurance sector.
- Another area that is growing phenomenally is the area of medical insurance. In the next ten years a radical growth is expected in the medical insurance sector with the arrival of more private companies into this sector. This area has a lot of research potential since the market for medical insurance in India is huge.
- Another area for research studies is the area of Bancassurance. The Insurance industry is about to expand this model of sales to a great extent in the near future.
- Women and Life insurance products. Women have been greatly tapped in the agency model. Presently the marketing strategy adopted by Life insurance companies is to specifically design products for women. This area would be a research potential one.