CHAPTER IX

SUMMARY, RECOMMENDATIONS AND IMPLICATIONS OF RESEARCH FINDINGS
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This chapter summarizes the major findings of the study and discusses recommendations for adoption of distribution strategies in India. It also discusses some limitations of research methodology and possibility of generalizing the findings. It concludes with some suggestions for further avenues of research.

9.1 Summary

Privatization of life insurance industry has changed the phenomena of distribution of life insurance since year 2000. This transformation has changed the framework of distribution strategies followed by life insurance companies. This pace has to be quickened to sustain in the competitive environment. The trend towards delivery of life insurance products is dramatically changing with the variety of distribution channels. This is a fresh wave engulfling life insurance area and need to be explored extensively if insurers want to succeed in the modern competitive and ever dynamic life insurer sector. In recent years, with the introduction of different distribution channels by life insurance companies, customers are benefited in terms of variety of life insurance products, quality of service, online insurance buying and availability of direct marketers at their door steps.

The concept of framing distribution strategies for effective working of distribution channels has broken the barrier of geographical reach among untapped market. Customers with any kind of policy requirement can approach the particular life insurer through agents, bancassurance channel as well as through internet marketing. However, the increased acceptance of these distribution channels for delivering insurance products and services provide new business opportunities for life insurers as well as service benefit for their customers.

The review of literature indicated that, most of the research work in the field undertaken till now has been done regarding privatization of life insurance sector and impact of privatization. It also revealed that, hardly any comprehensive study has been conducted to examine the perception of customers as well as intermediaries towards
distribution channels. The empirical studies reviewed, considered the different aspects relating to liberalization of insurance industry, emergence of different channels, adoption of different channels by customers and satisfaction level of customers towards distribution channels. Further, it was found that the widely accepted various parameters could be used to study the perception of both customers and intermediaries which include: age, qualification, experience, income etc. A distribution strategy of life insurance business in India is the study that examines the perspectives of customers towards distribution channels as well as intermediaries involved in selling life insurance business in India. It focuses on some vital aspects like experiences of customers and challenges faced by intermediaries, advantages of emergence of different distribution channels and evaluation of distribution strategies adopted by life insurance companies. It also analyzed the current status and framework of distribution strategies in India.

9.2 Database and Research Methodology

In the present study, the relevant data has been obtained from both primary and secondary sources. The period of study was 2006 to 2013. The data was collected from the secondary sources which included annual reports of life insurance companies, IRDA annual reports, IRDA journals, financial newspapers, different websites and other related published material. The data was collected from customers to study their perception towards distribution channels and intermediaries to study their perception involved in selling life insurance business, using well structured and pre-tested questionnaires. The sample size for customers’ questionnaire was 400, only those customers were considered who have already purchased life insurance policies. The sample size was 200 for intermediaries working for life insurance companies.

The universe of the study in India comprises of investors (customers) and intermediaries from public and private sector life insurance companies from major cities in Northern India like Jalandhar, Amritsar, Ludhiana, Patiala, Delhi, Chandigarh and Jammu. The questionnaire targeted the customers who have actually invested in policies of different life insurance companies. While distributing survey instrument, randomized convenience sampling technique has been used. After collection of data, it
was processed and analyzed in accordance with the outline laid down for the purpose at the time of developing the research plan. For analyzing the data, there may be a large number of variables which may indicate the respondents’ perceptions towards distribution channels, both in case of customers and intermediaries. In case of customers variables such as age, gender, occupation and annual income were considered, whereas nature of occupation and income level seemed to affect the perception of customers at the time of investing in life insurance policies. The analysis was done using statistical techniques like frequency distribution tables, percentages, chi-square and one way ANOVA. Statistical package for social science (SPSS) version 16.0 for window has been used.

9.3 Summary of Major Goals and Findings

The main objective of the study were to provide an in-depth evaluation and analysis of perception held by customers as well as intermediaries towards distribution channels in India. The major findings are summarized below according to the initial research objective.

Objective 1: To examine theoretically the alternate distribution of Life Insurance Business in India.

- Agency channel is the traditional model of insurance distribution. Agents in LIC generate 80% of its new business and about 40% for private companies. The strength of agency channel lies in an aggressive strategy of expanding and procuring quality business. It is examined as the most sustainable business model.

- Bancassurance channel is emerging as a key distribution channel through a vast network of branches of banks. This channel generated about 20% of new business for private life insurance companies in year 2011-12. It is the primary sales channel for SBI Life and HDFC Life. The success of bancassurance channel lies with well trained staff to access and plan the financial security of customers.
The study examines that brokers as a distribution channel contributed 5.07% towards individual new business performance of life insurance for year 2011-12. It is further indicated that brokers play the role of one stop shop by providing choice to the customers to make comparative analysis of insurance policies of different life insurance companies and they provide the best suitable plan according to the demand of the customer.

Adoption rate of internet as a life insurance distribution channel has been low. Insurers are using the internet as a support channel to provide general information of life insurance products, planning the use of these products, to provide specific information of the company, its product lines, to provide support to the policy holders and to serve as a prospecting and communication tool. It is indicated that wide spread adoption of internet as a distribution channel would take some more time.

The study reveals that the emergence of worksite marketing from a small niche of the insurance market to a major distribution channel depends upon various factors. This new marketing and sales platform can generate substantially higher sales and customer satisfaction at reduced costs. It is examined that the future prospects for worksite marketing channel is promising, depending upon the commitment and focus generated by different companies.

The results indicated that there is a noticeable change in the number of corporate agents in year 2011-12 in comparison to 2010-11 due to strict IRDA regulations. At present, there are 642 corporate agents reported in year 2012, in comparison to 1870 corporate agents as on 1st April, 2011 in case of private life insurance companies. It is revealed that in LIC there are 240 corporate agents as on 31st March, 2012, in comparison to 295 corporate agents as on 1st April, 2011.
Objective 2: To make a study of the competitive distribution strategies adopted by life insurance players.

- Life insurance corporation of India has adopted product development strategy keeping in view competitive pressure, changing consumer behaviour, marketing strategy to increase its business volume and strategy to promote agency channel.
- HDFC Life has adopted various distribution strategies such as customizing the plans, adding optional benefits called riders at a nominal price and proving its strong presence in the existing market with the strong base of financial consultants.
- ICICI Prudential Life Insurance Company Limited concentrates on promotional strategy consisting of advertising, public relations, sales promotion and personal selling.
- Max Life Insurance believes in media advertising, event sponsorship, direct market relationship building to generate awareness and to build a strong customer base.
- Tata AIA follows the mass marketing strategy to cover the customer base as maximum as possible, building its brand by stressing on providing after sales services to the customers and covering wealth management solutions through its saving plans.
- Birla Sun Life Insurance has opted customer-centric strategy by investing heavily in technology to build world class processing capabilities. It was the first private player to introduce the pure term plan in the Indian market. It provides high degree of transparency to the consumers.

Objective 3: To make the financial appraisal of life insurance companies by studying the impact of alternate distribution channels.

- The year on year growth record of Life insurance corporation of India (LIC) indicates its first position with highest life insurance premium. SBI life stands at second position On the other hand, HDFC Standard Life insurance company
and ICICI Prudential Life Insurance Company are competing with each other, in which at present ICICI Prudential Life Insurance is leading.

- During the financial year 2011-12, the life insurance industry reported net profit of 5,974 crore as against 2,657 crore in 2010-11. Out of the twenty four life insurers in operations during 2011-12, fourteen companies reported profits. They are LIC, ICICI Prudential, Birla Sunlife, HDFC Standard, Max Life, Reliance, Bajaj Allianz, SBI Life, Kotak Mahindra, Tata- AIA, MetLife, Aviva, Sahara India and Shriram. Life Insurance Corporation of India has reported net profit of 1,313 crore i.e., an increase of 12.08 per cent over 1,172 crore in 2010-11.

- The largest private sector life insurer ICICI Prudential reported profit of 1,384 crore for the third year in a row (808 crore in 2010-11) after incurring losses for eight consecutive years. Birla Sunlife, Max Life and Tata AIA reported profits of 461 crore, 460 crore and 260 crore respectively for the second year in succession after incurring losses for nine successive years. Bajaj Allianz reported net profit of 1,311 crore for the third consecutive year (1,057 crore in 2010-11). SBI Life reported profit of 556 crore; the insurer reported profits for 6 out of last 7 years, i.e., other than in 2008-09. Kotak Mahindra reported profit of 203 crore for the fourth year in a row (102 crore in 2010-11); it reported profit for the first time in 2008-09. Aviva reported profit of 74 crore for the second time a row (29 crore in 2010-11). Sahara India had reported a profit of 29 crore as against a profit of 28 crore during 2010-11. Sahara India had reported profits for the first time in 2007-08. Shriram Life reported net profit of 56 crore (17 crore in 2010-11).

- It was further revealed that except in the year 2009-10 Shriram Life reported profits from 2007-08 for 5 years in a row. HDFC Standard reported net profits of 271 crore for the first time in the current year, after incurring losses continuously for ten years. Reliance Life reported net profits of 373 crore after remaining in losses for eight years, the company had exhibited profits in the first two years of its operations. MetLife reported a profit of 33 crore, thus reporting profits continuously in the last five financial years. However, MetLife is carrying deficit in the Policyholders’ Account from 2007-08 to 2011-12. The
cumulative losses of the company at the end of financial year 2011-12 stood at 1,646 crore.

➢ The cumulative losses of the life insurance industry for the financial year 2011-12 stood at 17,945 crore (‘20,177 crore in 2010-11). The cumulative losses reduced by 376 crore and 1,856 crore in the policyholders account and shareholders account respectively in the year 2011-12.

Objective 4: To study the perception and satisfaction of customers towards various distribution channels and strategies.

➢ The result revealed that younger generation of male professionals 124 (31%) with comparatively lesser income is more cautious towards their future financial interests. It is advantageous also to purchase the life insurance products at this age.

➢ From the perspective of preference of investment in different companies, it was indicated that majority of the customers i.e. 164 prefer to invest in the products of LIC. It was further indicated that occupation of respondents put significant difference in choice of life insurance company for making investment.

➢ Tax savings was considered as the most important attribute (WAS, .545) in ranking the attributes in investment. It was indicated that tax saving and capital appreciation were given importance at time of ranking of attributes in investment.

➢ When surveying specific preference in distribution channels by customers, it was indicated that 116 (51.78%) male respondents preferred bancassurance channel the most, followed by 54 (24.10%) respondents reporting for preference of agency channel. It was also indicated that worksite marketing channel is not able to put effect on customers mind. On the whole, different categories of customers are in favour of bancassurance and agency channel of life insurance.

➢ Customers who have invested in life insurance policies reported that majority of them 194 (79.5%) paying annual premium below ` 25,000 with annual income
between ₹ 1 lakh - ₹ 3 lakh. It was indicated that customers pay annual premium according to their annual income and different age groups.

- The study revealed that the customers reported on different sources of awareness. It was indicated that 102 (53.68%) professionals got information about the products and services from their friends and relatives.

- The overall indications revealed that majority of the respondents from different categories have investment in life insurance policies of different companies through their references.

- The results revealed that the customers are highly satisfied from the services of private sector Life Insurance Companies (W.A.S, 0.305) in comparison to LIC. This might be due to extended services provided by private life insurance companies at the door steps of customers.

- Majority of the customers reported that agency channel is ranked one (W.A.S 1.017), bancassurance channel has got second rank (W.A.S, 0.995) in providing services channel with third rank (W.A.S, 0.962) and Internet Marketing with fourth rank (W.A.S, 0.192). It is indicated that agency channel is leading over all other distribution channels.

- While surveying the impact of different distribution channels, customers reported that these channels have inculcated saving habits among them by making them aware of need and benefits of life insurance (W.A.S, 1.002). It was further indicated that there is improvement in saving habits to a great extent, followed by awareness and acceptability of life insurance products among customers.

- The study revealed that when asked about the scope of distribution channels, customers gave the opinion that these channels have wider scope. It is indicated that 90 (40.17) male respondents and 62 (38.75%) professionals reported that the scope of distribution channels is wide due to increase in awareness level and improvement in saving habits of customers.
Objective 5: To study the perception of intermediaries involved in selling life insurance business.

- It was revealed that education level of intermediaries is independent of their appointment in public or private sector as there are different distribution channels in which intermediaries can be appointed according to their basic qualification.
- The study revealed that as privatization of insurance sector took place in year 2000 i.e. 12 years back, it is clear that the intermediaries with experience 20 & more than 20 years are employed with life insurance corporation of India (LIC).
- (36.70%) respondents identified that bancassurance channel is the most sales generating channel and (37.56%) supported agency channel as the oldest and sales generating channel.
- It was revealed that majority of the respondents (47%) are working as agents and earning annually less than ₹5 lakh when asked about awareness level of customers regarding investment in life insurance policies, majority of the respondents (42.28%) with experience less than 5 years supported the opinion that customers are completely aware regarding their financial security.
- The study revealed that (41%) high school degree holder intermediaries considered financial security as the priority of customers in purchase of life insurance policies, while remaining parameters like investment and tax savings were given importance to some extent.
- The results revealed that (45.24%) respondents having experience below 5 years supported the opinion that it takes more than 1 week and less than 15 days to convince and complete a call with a customer. This clearly indicates that the idea of purchase of life insurance policy is already clear in the minds of customers.
- From the perspective of problems faced by intermediaries at the time of marketing, (30%) under-graduate respondents are of the opinion that customers are aware and already insured with one or the other life insurance policy.
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- Majority of the respondents favoured the opinion that unit linked investment plan (ULIP) is the principal product in the portfolio of their respective companies followed by pension plans and endowment plans favoured comparatively to a lesser extent.
- From the perspective of after-sale services to the customers (64.37%) intermediaries with experience below 5 years reported that their companies provide after sale services to the customers at all times as when required.
- The study revealed that the main factor affecting the pricing of life insurance policies is demand of the product which is considered highly effective by 97 (48.5%) intermediaries with weighted average score (0.76).

9.4 Recommendation and Implications

Objective 6: To make recommendations regarding the future prospects of the distribution channels.

An attempt has been made to explore the growth and progress of distribution channels of life insurance in India. The study identifies the key trends that will concentrate on exploring the available potential in the life insurance industry. The current flux offers the opportunity for new entrants to re-access their strategy and re-align their distribution models to take best advantage of industry changes. The insurance companies through advanced distribution network and by adopting sound distribution strategies can reach the potential customer. In current scenario technological advancement are taking place and internet marketing is a very good example. In future, life insurance companies will use this channel as an important tool to reach the prospective customer. The study indicates that agency and bancassurance channels will continue to be dominant distribution channels in life insurance sector. The general public awareness level is increasing because of effective advisement campaign undertaken by life insurance companies. The customer will become rational decision maker and will demand detailed information about details of terms and conditions of policies before making investment. Life insurance corporation of India
will continue to be the captain of ship. A sound distribution network has to be designed and evaluated regularly by life insurance companies as these channels play never ending role in success of life insurance companies.

9.5 Limitations of the Thesis

- The presence study is based on a survey conducted with the help of the questionnaire. Any study based on a survey through a pre-designed questionnaire, suffers from the basic limitation of possibility of difference between what is recorded and what is the truth, no matter how carefully the questionnaire has been designed and field investigation has been undertaken. This is because the respondents may not deliberately report their true responses and even if they want to do so, they are bound to differ owing to the well known problems of filters in communication process.

- The study sample excluded customer without investment in insurance policies. This was necessary with the view in mind that customers with life insurance policies might have experienced the interaction with intermediaries so that they can gave a clear understanding in terms of perceived importance of distribution channels.

- One limitation of the study is that the nature of the study may not provide a clear picture since the set up of life insurance structure in India is followed by the only public sector insurer i.e. LIC and 23 private sector life insurers. This seems to be incomparable when we analyse the performance of one life insurance company with 23 private sector life insurance companies.

- Differentiating different distribution channels was a predicament to many respondents. They were of the view that corporate agency channel is synonymous to agency channel. Also, some thought that tele-marketing is covered under internet marketing. This misunderstanding led to some doubt on the responses they gave.
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9.6 Perspective For Further Research

A doctoral thesis can seldom cover all relevant aspects of a topic. Moreover, new issue may emerge during the course of research. This thesis is no exception as several areas remain untouched that warrant further investigation. Researches and developments at industry level in the area of distribution channels of life insurance are not plenty in India. The area of distribution channels and distribution strategies offer a wide scope of research.

First, comparative study of two countries on distribution channels need to be conducted. This study will provide a wide range of awareness to the parties involved from the customer perspective and company prospective. The study will be useful to provide insights from different aspects in the developing life insurance markets.

Second, the impact of traditional and contemporary distribution channels on the persistency ratio on a sector wise basis like public sector and private sector can also be done. This study assumed that few distribution channels have emerged earlier, so their profitability can be measured but the other distribution channels like worksite marketing are at developing stage, it will be unviable to measure their profitability.

Third, this study can be extended to know the claim settlement ratio vis a vis different life insurance companies. This will in such way help life insurance companies to know their exact position in the market. Therefore, the future holds vacant space for investigation.

Fourth, the impact of reward and recognition on performance of intermediaries working for different life insurance companies can be studied. Till now, hardly any study has been conducted in this area of concern to provide a clear understanding.

Finally, a comprehensive study on legal and regulatory framework on cross country basis to find out the introduction and consolidation of different pieces of law to cover cross country transactions. On this basis, proper policies may come into force to enable smooth handling of life insurance business and protect innocent customers.