ABSTRACT

Subsequent to the reforms initiated in the Indian financial sector and the liberalisation of Indian life insurance industry, a number of new life insurance companies have commenced operations in India ending the 45 years of monopoly by the public sector company, Life Insurance Corporation of India. The gross underinsurance prevailing among the customers has continued to provide huge market opportunity for the life insurance companies, who are adopting different channels like tied agents, banks and corporate agents for distributing the products. For the year 2005-06, business acquired by tied agency constituted about 98% for LIC of India and about 60% for private life insurance companies. As the cost of recruitment and training is very high for developing an individual agent, it is a challenge for the life insurance companies to keep the recruited agents active and make them productive year after year to benefit out of the huge initial investment on recruitment and training.

Current study involved survey of customers and agents in Chennai and Tiruchirapalli and the data so collected were analysed using statistical tools like Chi-Square test and t test to understand customers’ preferences and agents’ practices in life insurance selling. One of the key findings is that customers are grossly underinsured and would like to take the assistance of an agent, who is a friend or referred by a friend or relative for buying life insurance. Customers face multitude of difficulties in decision making while buying life insurance. Sales tools like Pension calculations and Future cost of education/marriage are found to be effective while selling life insurance products. The study also identifies a few agent recruitment criteria for life insurance companies and also recommends appropriate training interventions for different stages of the selling process. The training thus imparted to agents will improve their productivity, reduce their mortality and help to develop a quality distribution channel for life insurance products.