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Need for the study

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NEED FOR STUDY

In the recent times, life Insurance have become a very important area of research in all most all the social services, because of the spread of concept of life Insurance movement and increased concern of the Nation for welfare of life and increased health consciousness and control over the mortality rate. In India also there has been a phenomenal spurt in life Insurance studies over the past three decades or so. All these years there has been a continuous and serious debate among both scholars and practitioners over the issues concerning the problems that are faced by the privatization of the life Insurance business of this Country and on the process of their development. Of late, the issue relating to the awareness of concept of life Insurance among people through continuous advertisement has aroused a lot of interest, which inspired a good amount of research in different social sciences. As a result, there has been an urge on doing research on different issues relating to the process of privatization of life Insurance, through social, economic and political spheres. Of these issues, the performance of various policy initiatives aiming at procuring economic, social and political empowerment of people has an important place in the research on life Insurance related issues in different aspects.
As already stated a number of studies have been undertaken on the important initiatives designed for the life Insurance awareness among the people, such as the policies, returns on investment, infrastructure development, and growth of economy and so on. All these studies have highlighted various aspects of life Insurance related initiatives with special focus on their achievements and failures in achieving their objective of IRDA through privatization.

Due to globalization the rules of IRDA lead to intervention of private players in market, which leads the market from monopoly to multiple sellers in a competitive environment and to study the customer behavior towards the life insurance corporation products and of other private players in the market and to study the economically changes in the firm as well as in the industry and its impact to the national economy.

In India there is a spurt in research on life Insurance related issues, including the privatization of life Insurance sector in India, after the introduction of IRDA and the amendment of 1938 insurance Act. However, most of these studies are conducted at macro level covering certain broad issues relating to this concept without focus on any specific aspect. In spite of the fact that India is one of the countries where the life Insurance business and other aspects of life welfare initiatives have
achieved spectacular success. Even in the existing research there are several critical gaps which need to be filled. Hence, there is an imperative need for micro-level and area-specific studies on these aspects of privatization to fill the gaps in the research and to facilitate the tacit understanding of the different dimensions of these aspects. The present study is a modest attempt which mainly focuses on the implementation process of IRDA and other private players along with LIC in the selected area with a view to assess their performance in achieving their aim of privatization of life Insurance aspect in different spheres.

FINDINGS

The Major Findings on the Profile of Krishna District.

Krishna District is one of nine coastal districts of Andhra Pradesh with its headquarters at Machilipatnam. It was formerly called as Machilipatnam district. Later it was renamed after the holy water Krishna. To obtain an in-depth analysis of the market situation customer preferences a detailed study is conducted in a selected area VIJAYAWADA in Krishna district in Andhra Pradesh as sample study on impact of privatization of life insurance sector in India.
1. The District is extended over 8,727 Sq. km and is divided into 3 Revenue Divisions and 49 Mandals. The density of population for Sq.Km is 423.84

2. As per 2001 Census the District has a total population of about 37,98,833 lakhs. Of this population, males are 18,78,789 and females are 18,20,044, and out of which the urban population is 13,24,954 and rural population is 23,73,879 respectively.

3. The total literacy rate in the district is 68.69 per cent.

4. The Krishna District is predominantly an agricultural region as the agriculture is the primary occupation for a vast majority of the people of this District.

5. The important crops grown in the District include paddy, jowar, red gram, tobacco, cotton and so on.

6. There are about 4.86 lakhs landholdings in this District operating in an area of 8.12 lakhs hectares.

7. The agriculturists in this District are predominantly large and marginal farmers who account for about 35 per cent of the total cultivators.

8. The highest number of households (34%) earn an income ranging between Rs.6,001-8,500 per annum.
9. In this District the workers and non-workers are almost equal in number, as each group constitutes half of the total population.

10. The agricultural laborers are predominant in number followed by the cultivators among the workers.

11. This District can be considered as industrially backward as there are no major industries. This District possesses large deposits of minerals such as granite, silica, barites and so on.

12. There are a large number of cold storages and rice mills in this District.

THE IMPORTANT FINDINGS REGARDING PRIVATE INSURERS AND LIC IN THE KRISHNA DISTRICT IN KRISHNA DISTRICT.

1. There are 12 Private Insurance companies and 1 Life Insurance Corporation with 4 branches working in Vijayawada, Krishna District in the year 2006 – 07.

2. Out of the insurable population in Krishna District 35% of them are below poverty line and out of which 5% of them don't have life insurance and 65% of population are insurable population. And out of 65% population 35% potential are under insurance or over insurance.

3. The Private insurers operating in the Krishna District are homogeneous in nature.
4. Among the 12 companies operating only 5 to 6 companies are doing the business in bigger way. They are ICICI opened in 2000, ING in 2002, HDFC in 2002, BAJAJ in 2002, MAX NEW LIFE in 2003 and LIC since 45 years.

5. From the table 6.1 it can be noted that the overwhelming number of respondents who constitute about 51.67 per cent of the total respondents are in the age group of 25 - 35 years. Out of 300 respondents 100 respondents i.e., 33.33% are from government employees, while 26.67% are from private employees, skilled employees respectively.

6. From the table 6.2 it is concluded that out of the 300 respondents 272 respondents i.e. 90% are literates where as 28 i.e., 10% are only illiterates. It is also noted that highest number of literate 46% are from Division-I between age group of 25-35 years. Among the highest number of literates, degree holders count to 166 and they belong to Division I, II, III.

7. From the table 6.3 60% of the respondents belong to government and private employees followed by skilled employees who constitute 26.67%.

8. From the table 6.4 it is concluded that 66.67% of the respondents are monthly income holders who are from government and private sector in
Vijayawada in Krishna District and only 30% respondents are daily income holders.

9. From 6.5 it is observed from the table that 44.67% of the total respondents are from the income group of Rs. 5000 to Rs. 10,000, 29.63% of the respondents are from the income group of Rs. 10,000 to Rs. 15,000, while 19.66% of them in the income group of Rs. 15,000 to Rs. 20,000 and 6% of the respondents are from the income group of above Rs. 20,000. The numbers of respondents are more in Division – I that is in the age group of 25 – 35 years.

10. From table 6.6 it is observed that out of the 300 respondents only 268 got insurance out of 268 members 152 members got insurance with LIC whereas 112 members got insurance with Private insurance companies. This shows Private insurance are also competent with LIC.

11. From the table 6.7 Among the policies Unit Linked Policies are more in number when compared to other kind of policies and they constitute 33.58 percent, 21.64 percent are with private insurers and 11.94 percent are with LIC) of the total policies and numbers of respondents are 130 i.e more from Division-I as new and young couples want to invest money in such policies which give high return and risk cover. The Money back Policies are next preferred most by the respondents as they are very useful products which can meet the needs of the people like
children education, marriage, or any occasion for which money is accumulated, the above policies constitute 25.25 percent, 9.70 percent is with Private Insurers and 15.55 percent is with LIC) and these policies are also preferred by the Division-I than compared to Division II & III. The endowment and whole life policies are preferred by the respondents, and they have more policies with LIC when compared to Private Insurers. Both the policies constitute 27.98, 7.46% with Private insurer and 20.52 percent with LIC.

12. From the table 6.8 it is examined that 50.38% of the respondents have taken the policies from 1 to 3 lakhs and they are in the income group of Rs. 5 to 10,000, 26.12% of the respondents have taken the polices in between 3 to 5 lakhs and they are in the income group of Rs. 10 to 15,000, 15.30% of the respondents have taken the polices worth Rs. 5-7 lakhs as they belong to income group of Rs. 15 to 20,000 above. This shows that with the income levels the policies taking behaviour is also changing.

13. From the table 6.9 it is concluded that 34.70% of the respondents are interested in getting high return policies (i.e.,) ULIP’S. Nest is 27.98% of respondents are interested in saving types of policies, 24.25% people are interested in tax saving policies because they belong to salaries profile
and 13.05% of the respondents are interested in investing in life insurance at it investment as well as risk covering device.

14. They have good marketing facilities available for the various items manufactured by the Private insurers. The main marketing is ADVISORs, agents, sales Managers, and insurance brokers.

15. A few companies became sound in selling policies as well as in getting huge business as the staff they selected have been given training and each of the sales people is given target which should be achieved monthly and other there is threat to their job existence.

THE IMPORTANT FINDINGS REGARDING THE PRIVATE INSURERS IN INDIA.

1. We should now look into some of the challenges also which are staring India. Changes in the external environment for the life insurance market well have to be understood in order to avoid excessive selling and mis-selling out of over-enthusiasm. Customer expectations especially with regard to return on investment will have to be properly met. Fortunately, IRDA has come out with very exhaustive regulations in this area which help in ensuring proper investment of the policy holders.

2. Methods of conducting business will also have to be controlled. In this area IRDA has come out with regulations on the licensing and
appointment of agents prescribing suitable norms which will help in regulating the market in the sale of products. The agent will have to disclose to the clients all the features of the product so that there is no communication gap. Policy conditions also will have to be spelt out to the client before the sale is closed. Agents’ capabilities and competencies are to be enhanced to enable them to be market specific.

3. Life fund position of the companies has to be increased so that they can meet the solvency margin which is very much essential for any company. In this regard LIC has enough life fund and capability in maintaining solvency margin, but private insurers who are entering into market since 5 to 6 years need some more time to maintain life fund as they are expending more money on business expansion and advertisement. IRDA has to take necessary steps to control the over expenditure in over enthusiasm. IRDA had made a compulsion such that Solvency margin should be 11/2 times of the liability.

4. The training given to the agents, advisors, sales manager in different companies are target oriented business ethics, work ethics and how to understand the psychology of the customer should also be trained. The overall training methods are to examined in the present scenario.
5. Suicide cases are not given life insurance sum assured amount that has be revived, due to natural calamities like floods fire etc some people thrown into losses and miserably commit suicide.

6. Private companies are more in hurry to expand their market and they are forcing to achieve the targets and making them to do things in hurry. To save their jobs some people bring business of single premium and later the policies will be lapsed. This is a bad policy of the private insurers.

CONCLUSIONS

On the basis of the present study conducted on the working of Private Insurance Companies in Krishna District, certain specific conclusions are drawn which are as follows:

1. After the launching of the Private Insurance Companies in Krishna District the position of Life Insurance Business has undergone significant changes in several directions. The Private Insurers helped the customers aware of the life insurance and made to feel the importance of life insurance. The customers are able to meet most of their basic needs independently.

2. There is conclusive evidence that the market share of the Private companies has been growing enormously. Along with LIC and
Private Insurers the total business done yearly in collecting the first year premium is 60 to 70 crores out of LIC share is 70% and Private Insurers is 30%.

3. The other changes that have taken place in the life insurance business in Vijayawada position of private insurers in the District include increase in their role in earning individuals to save their money with private insurers which gives high returns with in less time and the sum assured will be useful specifically. The marketing and sales peoples at various positions of the organization have gone public in gross-root level into rural areas also to get the business. These customers have also become sensitized about various products available with the private as well as life insurance corporation in the district.

4. There is also ample evidence which is indicative of the fact that Privatization in this District is largely successful in achieving its main objective of growth and development of the life insurance business. Several factors contributed to the success of this Programme. Particularly, the administrative mechanism which runs this Programme is very efficient and responsive. The programme has the support of component, well trained and committed staff working at different levels.
5. Among the various financial institutions, Life Insurance industry plays a competent role in accumulation of saving from the public and also enhances the economic growth of the country by contributing substantial growth of GDP. Earlier it is 1.4% now it is 4.5% of the GDP in the near future the life insurance contribution will be 6 to 7% of GDP.

6. Notwithstanding the remarkable achievements of Privatization in this District, there are a few lapses which adversely affected its efficient implementation. One important lapse is the lack of adequate trained staff to implement this programme at different levels. The insistence upon procedures and formalities is another lapse which hinders the smooth implementation of the programme. There are few other defects which are responsible for its failure to deliver the goods to the fuller extent.

These lapses are:

1. At some places, there is unreasonable interference of political leaders with the working of Private Insurers. This political interference has led to several problems. There are instances where the growths of the Private Insurers have not reached to
grass root levels of the population due to the interference of local politicians.

II. Special attention has not been given to the monitoring of field staff working in the field, due to which they have become dormant.

III. Even though, the training imparted to the field staff of Private Insurers is effective and benefited the members to a large extent, it is not completely successful in achieving its objectives. There are no adequate number of competent staff with necessary knowledge and skills for conducting the training and capacity building programme in an useful and effective manner.

IV. Certain Private Insurers and Marketing and Sales people failed to continue their activities due to the lack of adequate marketing facilities for the products manufactured by them.

V. In the case of back ward and remote Mandals and villages a motivated cadre of Advisors/Sales Managers is particularly lacking to stream line the targeted potential in the area.

VI. Focus on Book value of the policies and returns on their investment in life insurance knowledge is inadequate.

VII. Often there is always over insurance or under insurance to the policy holders, Instead of the offering required exact insurance.
SUGGESTIONS

1. State has to make compulsory for all the citizens to take life insurance as an identifications like ration card, voter cards etc., as life insurance is important to each individual

2. Not only earning individuals but also professional students should also make compulsory to be insured, as any risk happen to them is a loss to the household because parents could have invested huge amounts in their studies

3. Every bank accounts should be opened with relevant bancassurance insurance companies and should be made compulsory so that each employee will be insured at least two times in different life policies with different benefits

4. Each vehicle purchaser made compulsory only to insure for vehicles, but also he has to make compulsory that he has also to be insured for life, so that both the person and vehicle will be benefited

5. Rural business also has huge potential (>30,000 Self Help Groups) are formed in Krishna District in Andhra Pradesh. These people are formed in well structured groups and they have concrete administration under SHG’s (Self Help Groups), they are benefited
by Government under many schemes. To form SHG’s they also have to be made compulsory to be insured under group insurance so that premium will be less to be paid by them, group insurance can be increased in rural areas.

6. SHG’s are also found in semi urban areas; in this area also there is huge potential to be covered.

7. Professionalism in field staff has to be increased by the companies so that they can work in field enthusiastically and they will be retained with the same company for long time. This can happen by changing the training method for Sales Manager’s and Agents working in this field.

8. To withstand the market and to get the confidence of the public the private insurance companies have to do lot of exercises, this case they have to follow the LIC how it has gained brand loyalty in the market. The turnover of agents with LIC is negligible when compared to Private Insurers (examine with ref to IRDA Annual Report 2006-07)

9. Market share is not only the criteria but also the policies should be active enough throughout the life to retain such policies. Customer should be well educated about the policies by the sales force in structured manner. In a hurry to tap the market these people with
their references explaining the products mostly in phones, or through mails and such interest is not created in the policy holders.

10. Suicide cases, such exceptional provisions have to be made for such person to support the family from losses.

11. IRDA should not be just an authority monitoring and waiting for the results/ reports from the companies but also a proactive regulatory mechanism which enable the insure work effectively by maintaining healthy competition.

12. The privatization of the life insurance leads to more competition, creation of employment, and creation of the business. The opening of the private insurers into the market has shown a remarkable change over. The life insurance is one of the strong financial intermediaries in India.