CHAPTER - I
INTRODUCTION AND DESIGN OF THE STUDY

“If a child, a life partner, or a parent depends on you and your income, You need life insurance.”
– Suze Orman

1.1 INTRODUCTION
Marketing is a discipline concerned with human behaviour engaged in exchange or potential exchange of goods or services within the market. Marketing can be differentiated as marketing of products and marketing of services. Services are activities, benefits or satisfaction which is offered for sale and the products may be tangible or even intangible. In marketing of services, the providers are supposed to influence and satisfy the customers or users. Upward trend in the disposable income, increasing specialization, professionalism in education, growing fashion, information explosion, sophistication in market, increasing governmental activities are the reasons entailed behind the marketing of services. The services include insurance, banking, transportation, tourism, communication, consultancy, hotel, hospital, education, electricity, entertainment, personal care and so on. Insurance is a service concerned with equitable transfer of the risk of a potential loss from one entity to another in exchange for a premium.

1.2 INSURANCE
Insurance is basically working on the principle of ‘many sharing the loss of a few’. People facing common risks come together and make small contributions to a common fund and it can be called a co-operative venture. Insurance is also an effective risk management tool. The responsibility of taking care of the family, ensuring the security of the family are shifted from the shoulders of an individual to the life insurance companies since it curtails risk and substitutes certainty for uncertainty in human life.
1.3 LIFE INSURANCE

Life insurance is a contract between the insurer and insured for the payment of a sum of money to the person insured for the loss arising from the risk insured against. In return the policy owner agrees to pay a stipulated amount at regular intervals or in lump sum. A life insurance company collects contributions called premium and pays out compensation as claims. The amount of risk cover is called ‘sum assured’ and evidence for an insurance contract is an insurance policy. Upon the insured’s death the insurer requires acceptable proof of death before it pays the claim. The normal minimum proof required is a death certificate and the insurer’s claim form to be completed and signed by the legal representatives. If the insured’s death is suspicious and the policy amount is large, the insurer may investigate the circumstances surrounding the death before deciding whether it has an obligation to pay the claim. The life insured can ensure the long term financial security of the family through ‘settlement options’ under which the net death claim proceeds can be received by the claimants in equal installments or as a lump sum at the end of the period or as a specified sum every month.

Life insurance has emerged as the most vibrant segment in the financial sector in India since the liberalization of the market. Life insurance industry is a dominant institutional player in the financial market impacting the health of the economy through its multi-dimensional role in savings and capital market. While the primary role of a life insurance company is to provide insurance coverage for managing personal financial risks, it plays a very crucial role in promoting savings by selling a wide range of products and actively contributes in promoting and sustaining the capital market of a country. One of the most important responsibilities of any life insurance company is to manage its liabilities efficiently to realize the value of the funds of the policyholders received by it as premium income.
1.4 NEED FOR LIFE INSURANCE

Life is a roller coaster ride and is full of twists and turns, one cannot take anything for granted in life. Life insurance policy helps in not only mitigating risk but also provides a financial cushion against adverse financial burdens suffered. A life insurance policy is distinct from other financial instruments because of the risk cover provided. It is one of the basic needs of an individual; every individual for his own sake and for the sake of his family should invest in life insurance. Life insurance provides for risk, life and health cover, investment, savings and tax shelter.

**Life insurance as risk, life and health cover**

A family is generally dependent for its food, clothing and shelter on the income brought in at regular intervals by the bread winner of the family. So long as he lives and the income is received steadily the family is secured. But when death suddenly intervenes, the family may be left in difficult situation and sometimes in poverty. Uncertainty gives rise to the necessity for some form of protection against the financial loss arising from death. Life insurance provides protection to the dependents of the life insured and the family in case of his untimely death. Provision for children up to their reaching the earning period and for the widow up to long life should be made. Any other provision except life insurance will not adequately meet this financial requirement of the family. Life insurance is a must to change uncertainty into certainty and thus enable the insured to transfer the hazard of premature death to the insurer at the lowest possible cost. The financial strain on the family due to unforeseen and premature death is covered by the maturity value of the life insurance policy. Life insurance is a product which offers protection against the risk of death. The full sum assured is made available in case of death whereas under other savings schemes the total accumulated savings alone will be available. In short when a person walks out of the family (death) life insurance walks into the family.
The provision for old age is required where a person is surviving more than his earning period. The financial strain on an individual as a consequence of retiring from an active working life is more as the earning capacity of a person is reduced. Life insurance enables a person to enjoy peace of mind and sense of security in his or her old age. The unit linked products give comprehensive insurance solutions to an individual’s dual need of earning potentially high returns as well as stay for life. Thus there is an option to invest money in the products that combine the best of insurance and investment. Through the purchase of unit linked products by paying the purchase price in one lump sum one can buy financial security for one’s old age.

The most precious asset that an individual could possess is good health. The rapid advancement in science and technology has revolutionized our lives and our way of living in a big way. But an illness is now almost a calamity since the expenses associated with treatment and post treatment are beyond the reach of the common man. One never knows when a calamity would strike. It is, therefore always better to secure our present and the future. The very concept of insurance has emerged due to the dire need to indemnify against a loss that would occur on the uncertainty of the calamity. The health insurance policies protect a person from the financial and mental stress associated with illness.

**Life insurance encourages savings**

In most of the life insurance policies the element of saving predominates. Systematic saving is possible because regular premiums are required to be compulsorily paid and the deposited premiums cannot be withdrawn easily before the expiry of the term of the policy. If the policyholder fails to pay premiums within the days of grace, he subjects his policy to lapse and may get back only a very nominal portion of the total premiums paid on the policy. For the preservation of the policy he has to try his level best to pay the premium. After a certain period it would be a part of necessary expenditure of the insured and life insurance is the best medium of
saving. A habit of thrift and savings is introduced to the policyholder and a small portion of his income grows to the extent of the sum assured to mature after a long term along with bonus. A policyholder can match the specific need that is going to arise in future such as children’s education or marriage. Savings in other schemes can be easily withdrawn and may be used for less worthy purpose. Termination of a life insurance policy by the policyholder usually results in substantial loss. To avoid the substantial loss the policyholder is forced to save.

**Life insurance provides security**

Life insurance can be called as an ‘immediate estate’ because on the death of the insured, the life insurance proceeds are available to the legal representatives inspite of the fact that no estate was in existence up to the time of the death of the insured. It creates confidence and security to the insured individual in many ways. The life insured can nominate the person or persons to whom the policy money would be payable in the event of his death. After three years, if the policyholder finds that he is unable to continue payment of premium he can surrender the policy for cash. A life insurance policy is accepted as a security for a commercial loan; a loan can be obtained and availed against a policy by the insured whenever required. A life insurance policy is accepted as collateral security by banks, financial institutions and housing finance companies. The Indian Income Tax Act provides tax concessions to the policyholder both on payment of premium and on the maturity amount. The tax benefits on premium paid by an individual for life insurance policies on his own life, on the life of spouse and children can be availed.

**1.5 INDIAN INSURANCE INDUSTRY: AN OVER VIEW**

Insurance, today owes its existence to 17th century in England. In fact, it began taking shape in 1688 at an interesting place called Lloyds’ Coffee house in London, where merchants, ship owners and underwriters met to discuss and transact business. By the end of 18th century Lloyds had brewed enough
business to become one of the first modern insurance companies. Life insurance had its origin in ancient Rome, where citizens formed burial clubs that would meet the funeral expenses of its members as well as survivors by payments. As European civilization progressed, its social institutions and welfare practices also got more refined. With the discovery of new lands, sea routes and the consequent growth in trade, medieval guilds took it upon themselves to protect their member traders from loss on account of fire, ship wrecks etc. Since most of the trade took place in sea, there was also the fear of pirates. So these guilds even offered ransom for members who were held captive by pirates. Burial expenses, support in times of sickness and poverty were the other services offered in ancient times.

Insurance in India can be traced back to the Vedas. For instance, Yogakshema, the name of Life Insurance Corporation of India’s corporate headquarters was obtained from Rig-Veda. Rig-Veda refers to the concept of ‘Yogakshema’ meaning ‘the well being, prosperity and security of people’. The term suggests that a form of community insurance was prevalent around 1000 BC which was practised by the Aryans. Bombay Mutual Assurance Society, the first Indian life assurance society was formed in 1870. It was during Swadeshi Movement in the early 20th century that insurance witnessed a boom in India with several more companies being set up. As these companies grew, the government began to exercise control over them. The Insurance Act was passed in 1912, followed by a detailed and amended Insurance Act of 1938 that looked into investments, expenditure and management of these companies’ funds. By mid 1950s, there were many insurance companies in the country’s life insurance scene. In the absence of regulatory systems, irregularities and scams became almost a way of life in most of these companies. As a result the government decided to nationalize the life assurance business in India.

Life insurance in India was nationalized by incorporating Life Insurance Corporation (LIC) in 1956 and all private life insurance companies at that time were taken over by LIC. A Committee was set up in 1993 under the
Chairmanship of R.N. Malhotra, former Governor of the Reserve Bank of India, to make recommendations for reforms in the insurance sector. The Malhotra Committee recommended introduction of a concept of "professionalization" in the insurance sector to make out a strong case for paving the way for foreign capital. In its report submitted in 1994, the committee recommended, among other things, that: private players be included in the insurance sector. Foreign companies were allowed to enter the insurance sector, preferably through joint ventures with Indian partners. The Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance sector. The key objectives of the IRDA would include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums while ensuring the financial security of the insurance market. Brokers representing the customer are brought in as another marketing and distribution channel, a practice prevalent in most developed markets. Following the recommendations, the IRDA was constituted as an autonomous body in 1999 and was incorporated as a statutory body in April 2000. With the coming into force of the IRDA Act, 1999, the insurance industry was opened up to the private sector. In the same year the newly appointed insurance regulator (i.e.) Insurance Regulatory and Development Authority (IRDA) started issuing licenses to private life insurers. The aims of liberalization in insurance sector are product and price innovation, market expansion, improved customer service and technology upgradation. It has extensive powers to oversee the insurance business and regulate in a manner that will safeguard the interests of the insured. All the life insurance companies in India have to comply with the strict regulations laid down by Insurance Regulatory and Development Authority of India (IRDA). While launching a product IRDA’s approval is mandatory. IRDA will check whether the company is able to give back the policy amount on the basis of the terms and conditions specified in the policy. Therefore, there is no risk in going in for private life insurance
products. The private sector life insurers are in joint venture between Indian groups and global insurance giants.

The reforms in the insurance sector leading finally to the opening of the insurance sector for private participation have brought in its wake major changes not only in the design of the products available in the market but also in the manner in which they are marketed. Privatization of insurance sector has allowed insurance companies to work in the market by depositing 100 crore rupee in the reserve of Government of India. This has encouraged many overseas insurance companies having a required amount in their reserve, to open their branch in our country. Introduction of the private sector has changed the employment pattern but people must know how to make profit from it. The post liberalized insurance industry in India is witnessing dramatic changes in terms of latest products and services, new channels of distribution, competitive environment, greater use of IT as a service facilitator etc. To be in the global market and have advantages of it, capital and skill as per the demand and knowledge of the market is the requirement.

1.6 MARKETING OF LIFE INSURANCE PRODUCTS

The life insurance companies have designed a large number of life insurance products to meet the different requirements of insuring public. The Life insurance company personnel are devoted towards making people feel the need of life insurance through promotional strategies and personal selling. Prior to reforms in the insurance sector, direct branch network with their agents were instrumental in marketing of insurance products in India. The insurance sector has seen the emergence of a number of channels such as agents, brokers, other intermediaries such as corporate agents and banks. Agents are the major force pushing insurance sales in India and the agents are recruited by life insurance companies primarily on the basis of location and they are mostly tied to the nearest branch office. Insurance brokers and independent financial advisors are also a critical link between an insurance company and its customers. They provide valuable services to the clients by analyzing their
needs and assessing the risks. They act in the interest of the customers and they are neither employees nor are they tied to any insurance company. With agents working on behalf of insurers and brokers on behalf of the insured will enable the client to receive the best advice on the most suitable insurance products. Most people have their first contact with a life insurance company through the life insurance agent. Life insurance agent is a person who has the authorization to act for the principal to make a relationship legally with those who want to insure themselves through life insurance policies. Insurance agents commonly referred to as ‘Producers’ in the insurance industry sell company’s life insurance policies and they alert the policyholders about the premium payment dates. An increasing number of insurance agents offer advice to their clients on how to minimize risk as well as comprehensive financial planning services. Increasing competition in the life insurance industry has made the life insurance companies to find new ways to keep their clients well satisfied.

India has also witnessed another new channel of distribution: banc assurance. A bank can act as an agent of one life insurance and one non-life insurance company. Direct marketing as a distribution channel is also catching up fast due to the spread of distribution network. Direct marketing in insurance is the use of telephone, television, radio, print, website and social media advertising to attract customers. Insurance companies frequently use mailings as a part of a direct marketing campaign. Prospective customers receive post cards or letters encouraging them to contact the company. Like any other service industry e-commerce is also emerging very fast in the insurance sector. Websites of insurance companies, payments through electronic clearing service and credit card promote e-business in insurance sector. Since the market is competitive, insurance companies are required to innovate the marketing mix to cater to the changing needs, requirements and the increasing level of satisfaction of the different categories of users.
1.7 STATEMENT OF THE PROBLEM

Marketing plays a vital role within the insurance industry and it is used to increase sales, sustain market place positions for major companies and for smaller companies to build and grow their business. The use of marketing can be as far reaching as a national television campaign to grow and sustain a major insurance company and as localized as business cards and fliers used by a local insurance agent. Regardless of size, marketing tactics and strategies are developed by all in the industry to target prospects and policyholders to cover their insurance needs for life coverage. Many private life insurance companies are having fast movement in all areas of Salem district. Therefore, many insurance channels, agents and associates have found many avenues for selling and providing after sales services to fulfill the needs and requirements of the policyholders. They view policyholder’s opinion, level of satisfaction, problems faced by them in selecting the companies among many private players, selecting the life insurance products etc. Marketing force of a life insurance company has to do the spade work for attractive and creative marketing of life insurance products. The important issues relating to marketing are the initiatives and steps taken by the life insurance companies and the common problems faced by the insured in utilizing the services of life insurance companies.

1.8 SCOPE OF THE STUDY

In the current trend for a life insurance company, the policyholders’ satisfaction is an important aspect. It is the need of time to analyse the marketing of life insurance products as life insurance caters to safety, security and investment requirements of the people. It is a form of social security offered to people on commercial basis; people can get more benefits of life insurance business if the marketing management is effectively done. Marketing is a composite concept which includes sales and servicing. Servicing has a stronger impact on market expansion through relationship building among policyholders and service providers. As the life insurance
contract extend over a long period ranging from fifteen to twenty years, the service relationship matters. The degree of quality, speed, cost and care to the existing and potential policyholders would have an immense impact on further sales. The present study is, therefore, focused on highlighting marketing of life insurance products by the life insurance companies in Salem District through life insurance agents and the satisfaction of the policyholders towards the services rendered by the life insurance companies.

1.9 REVIEW OF LITERATURE

In the area of life insurance several studies, research papers, articles etc. are available.

Rejda (1963) has studied the influence of the business cycle on life insurance industry. The purpose of this study was to analyze empirically the impact of cyclical fluctuations on new purchases of ordinary group and industrial life insurance, during the post-war recessions experienced in the economy between October 1945 and February 1961. The data indicated that new purchase of industrial insurance declined relatively during the downswings of cycle III and IV as unemployment during these two cycles was more severe than the earlier cycles. It is due to the fact that there was a structural shift away from industrial insurance which was still continuing during the contraction phases of cycles III and IV.¹

Anderson and Nevin (1975) in their study have analysed the life insurance purchasing behaviour of newly married couples. The relationship between two dependent variables, amount of life insurance purchased and type of life insurance purchased was tested against a number of explanatory variables. The purchase of term insurance was found to be much more likely among households with greater net worth, the wives purchased term insurance before marriage and the insurance agent did not influence the decision. This suggested that the women and the insurance agent were playing an influential role in the type of insurance purchased by young married couples.²
Walden Michael's (1985) has focused on how regulators can help life insurance policy consumers to make better choices. The study also covered the problems with price disclosure regulations in life insurance, factors indicating the value of the life insurance market and revealed that certain regulators needed for the prospective consumers to make better choices in the life insurance market work.\textsuperscript{3}

Lewis Frank (1989) made a distinctive approach on Yarri's model by viewing the demands for life insurance from the perspective of the beneficiaries and has found that life insurance was chosen to maximize the beneficiaries' expected life time utility.\textsuperscript{4}

Dayal Ishwar (1992) expressed his satisfaction on the implementation of the reorganization scheme by LIC. He has suggested that changes in the behavioural patterns of LIC's customers, the attitudinal changes and the shift in customer expectations in the recent past would have to permeate the whole organization if it wanted to become customer-driven. He has suggested a review of the reorganization scheme for further improvements.\textsuperscript{5}

Allison Wordsworth (2002) has analyzed the demand and supply of insurance to the population. He opined that there had been a large number of uncovered population, still to be insured. The insurers should cope up with the demanding population. He has concluded that the sale was not kept up to the needs and the insurers should cover all segments of the society.\textsuperscript{6}

Ashok Thanpy and Sitaram (2002) have analyzed the size of the individual life insurance market that existed in India. They identified culture, religion, age, population, economic stability and price as the factors influencing demand for life insurance and that the consumption of insurance will increase due to increase in supply. They concluded that the insurers should be aware of the existing life insurance potential in India and should try to tap the potential.\textsuperscript{7}

Jack Burke (2002) in his article has examined the required action that is needed to be adopted by the life insurance companies on technological, marketing and communication grounds. He added that the world of insurance
would be in the flux of change and it will be adopted by those who survive. He concluded that the insurers should be adaptable to changes in circumstances.⁸

Ramakrishna Reddy and Kanjula Spandana (2002) have stated that the overall insurance penetration of the public insurance sector was low even though they played a key role in range, quality and price. They discussed the reasons for opening up of insurance to private sectors and added that the private sector will bridge the gap between the customer’s expectations and offers made by insurance companies. They have concluded that liberalization of insurance was a challenge and an opportunity.⁹

Rinku Chaudri (2002) has found out that there exists significant gap between customer service delivered by the insurance companies and the customers’ expectations. He opined that the insurance companies had to compare the current level of services offered and the standard services set by the company in the light of customer expectations. The study concluded that eagerness and ability to understand the psychology of Indian and altering time tested marketing practices would be a key to a successful strategy.¹⁰

Thirupurasundari (2002) analyzed the demographic variables and the appraisal of insurance with a case analysis, pertaining to insurance products. The study revealed that variables used in the survey were different and there was weak relationship between consumer’s judgment and class of products. The study suggested that as demographic variables were not performing as expected, it would be better to focus on alternative factors.¹¹

Shikha Sharma (2002) has studied the changed face of life insurance in India. She has revealed that private players in the underinsured countries had raised awareness levels by introducing innovative products and by increasing the penetration of life insurance. She has concluded that the face of life insurance had changed due to the challenges in the industries and only the credible players can survive.¹²

Azhagaiah and Varadharajan (2003) have stated that there was a significant change in the purchase attitude of the insurance products. They
emphasized that the customer profile changed due to lifestyle, social perception and brand loyalty. They have concluded that the entry of private players was a real threat to public sector and the insurance companies had to settle claims, reduce management and operating expenses and introduce novel products.\textsuperscript{13}

Ajith Kumar (2003) has said that life insurance was an essential component of any sound financial plan or life plan that the insurer helped his clients to create. He has concluded that it is better to invest in life insurance for better risk coverage. He added that the real benefit of life insurance cover came in the form of a death claim, which would never be seen by a customer.\textsuperscript{14}

Jawaharlal (2003) has emphasized that the companies should be confident in delivering the best service after knowing the customer's expectations. He said that the insurers should adopt a customer-centric approach rather than being product-centric and the level of awareness of insurance had to be raised by offering services like need based products, investment linked policies and other flexible options. He has concluded that LIC would facilitate the consolidation process by increasing its shareholding in the merged entity, if felt that the merger was viable and added value.\textsuperscript{15}

Jayakar Roshni (2003) has said that new products’ innovation, distribution and better use of technology were helping the new breed of private life insurers’ to stake market share away from the monopolists of yesterday. Earlier it used to be the nationalized company, i.e. the government owned insurance company that had an edge over any other company. With the privatization of insurance sector and with the entrance of many players, the world of insurance faced a cut throat competition with the private sector gaining an ever increasing edge over the public sector.\textsuperscript{16}

Kaliyamoorthy and Suresh (2003) have studied the changes in the key factors like demographic, social, economic, political factors and strategic choices that were responsible for the growth of the service sector. They opined that the entry of private companies and the resultant competition have brought in changes but LIC of India has started offering some of the services which
even the private insurance companies have not yet begun. It was too early to conclude about the yield in private firms but it was necessary to keep a close watch on the trends of the industry to analyze its future development.\textsuperscript{17}

Pramod Pathak and Saumya Singh (2003) tried to find out the competitiveness of LIC in view of entry of new players and carried out a SWOT analysis to suggest some strategies. The objectives of the study were to help the public sector insurance giant to increase the market share, to help LIC to retain existing customers and to attract new customers with quality services. The findings of the study was that majority of customers were graduates, who felt that main work of LIC was to insure human life. Majority of the respondents preferred only money back policies.\textsuperscript{18}

Rajagopal (2003) has brought out the crucial factors which will guide to increase the sale of life insurance policies. He stated that the key to service quality require attention on three areas (i.e.) customers, people management and processes. He concluded that prompt customer service, efficient human resources management and transparent processes were the needs of today’s investors.\textsuperscript{19}

Raman and Gayathri (2003) explored the investor's awareness about the insurance companies and the preference of respondents towards investments in insurance companies for future. They have found that the majority of the respondents belonged to the professional category and they were aware of new companies through friends. They have concluded that risk coverage was the major attraction for the respondents to select LIC policies.\textsuperscript{20}

Rudra Saibaba (2003) followed a distinctive approach to analyze the perception and attitude of women respondents about LIC of India and awareness of new policies introduced and services rendered by LIC of India. In the analysis, majority of the respondents were found to be satisfied with the services offered by the corporation although a few were not satisfied due to the lack of advertisement given about new policies and agents not concentrating on customer service.\textsuperscript{21}
Santosh Dhar and Upinder Dhar (2003) assessed the awareness and understanding of future managers about insurance. The study has revealed that protection of current and future needs, encouragement of savings, guaranteed payment, insurer’s growth and security needs were perceived as important by future insurance managers.22

Sundaresan (2003) has brought out the challenges and opportunities before insurance companies. He asserted that the insurance companies try to identify the gap between current level of customer service and customer expectations. He has concluded that the service by insurance companies depends not in doing things but only in the manner in which things are done.23

Zietz Emily Norman (2003) has made a study relating to consumer attitude concerning the purchase of life insurance, aiming to have a better understanding of how and why life insurance policies are purchased. It is concluded that there is significant relationship between the insured and Life Insurance Company.24

Abhijeet Chatterjee (2004) has stated that the essential objective behind liberalization was to improve the services and choice available to customers. Due to liberalization, the customers have benefited in the claim settlement and the degree of clarity and transparency in the documentation of the insurance policies. He concluded that insurance should penetrate into semi-urban and rural areas.25

Agarwal (2004) discussed various channels of distribution and new avenues explored by new players in the insurance sector. He viewed that a customer may have expectations like value added services, development of new products, technology insurance, solvency, financial security, quality of trained staff, etc. Though customer satisfaction may be provided by maintaining high professional standards, rationalized procedures etc. required a new paradigm. In short, customer care is an approach of non-stop caring where only those companies will survive, which can respond to the customers’ needs faster and better than anyone else.26
Antony Jacob (2004) in his article “Quality Interaction” has stated that the Indian insurance industry had understood that customer satisfaction was the direct route to enhance business growth. Service plays a critical role and customer satisfaction was the ultimate differentiator in financial services business.²⁷

Dalal and Gupta (2004) have conducted a comparative study on the profitability of LIC and Tata-AIG. It was concluded that the profitability of the comparable schemes of LIC and Tata-AIG varied from case to case.²⁸

Devashish Pujari and Anand Sharma (2004) in their study have formulated certain objectives to elucidate the importance and application of marketing concepts in the services offered by insurance companies, to fill the gap in marketing efforts by the insurance companies and have suggested measures to strengthen customer satisfaction. The study has been primarily based on the observation and unstructured interviews with the executives at regional office and branch office of insurance companies. Finally, the study has found that the main source of information was through advertisement and information available in the branch, divisional and regional office to win the market.²⁹

Hina Gupta, Sudir Gupta and Naresh Aggarwal (2004) examined the contribution of life insurance sector to the economic development of the country which was growing with the market and getting matured with time. The analysis of the risk cover and savings towards different types of plans indicated that the regulators of insurance should promote competition and the development would lead to a healthy market in the economic and financial development of the country.³⁰

Subhadra’s (2004) study presented an account of changes in advertisement and promotion norms in respect of life insurance marketing. She has found that the brand awareness of private insurance in India has increased. She opined that the needs for marketing efforts were never felt by LIC due to
monopolistic nature. She has concluded that the private insurance failed to tap the rural markets due to their limited reach.\textsuperscript{31}

Shivaji (2004) picturised the revolutionary changes in the insurance sector. He has revealed that the customers' demand increased due to complexity of products and transactions. He has concluded that the level of sophistication of customers increased due to increase in business volumes and greater complexity of products.\textsuperscript{32}

Shohit and Sanjay (2004) have analyzed the causes for failure of private insurance players in rural areas. They have concluded that in urban areas, services were provided at door step and efficient customer service which were the two major reasons that helped market penetration by private players.\textsuperscript{33}

Vanniarajan (2004) has studied the service quality offered by LIC in Madurai and analysed the respondents’ attitude towards the service offered by the Life Insurance Corporation of India. He has concluded that the service offered by LIC was found to be better in all aspects especially products, human relation and promotonal activities.\textsuperscript{34}

Venkatesh (2004) identified some of the key issues which were needed to be addressed by an insurance company. Changes in the insurance sector, like new private companies, product, innovation, introduction of riders, new channels of distribution have attracted the attention of consumers, policy makers, regulators and the shareholders. The major issues noted were professionalism, scalability, market conduct and compliance.\textsuperscript{35}

Vijayakumar (2004) has attempted to discuss the penetration of insurance industry, key issues and emerging areas of insurance. He opined that the nationalization paved way for rapid industrialization and self-reliance. He has concluded that the penetration of insurance was very low in India and insurance companies must create products needed by the market.\textsuperscript{36}

Jawaharlal and Sarthak Kumar (2005) have explained the customer centricity focus by the insurance companies. As the customers have a wider choice of insurance selection, the insurance companies need to leverage
interaction with every customer to build a level of service quality leading to customer retention and increasing customer satisfaction and finally the increase in profits.\textsuperscript{37}

Krishna Kumar and Kannan (2005) in their article, “LIC-Countering threat from the Private Players”, have stated that the LIC will have to take prudent steps to see that its customer segment continues to expand. The LIC’s market share compared to the private sector over the last three years was better especially in the rural sector.\textsuperscript{38}

Kumar and Vaidya (2005) discussed the possible strategies that could be used by the insurance companies for differentiating their products and service offerings from their competitors. The study revealed that the effective use of customer relationship marketing tools would help in identifying cross-selling opportunities. E-service or customer service through internet would play a vital role in facilitating the process of servicing insurance products to their policyholders.\textsuperscript{39}

Rajesh and Venkateswara Rao (2005) discussed the success factors, namely product benefits, competitive premiums, competitive products and plan differentiation through promotion and claim settlement. LIC has laid great emphasis on expeditious settlement of maturity as well as death claims. LIC's ability to withdraw the competitive pressure in the market can be largely attributed to its positive and proactive claim settlement operations.\textsuperscript{40}

Ravi Kumar Sharma (2005) in his article entitled “Customer Relationship Management: The New Mantra”, has said that customer service was getting more and more important as most of the time buying an insurance policy was a one-time purchase and customers were aware of the variations available in the market. In the insurance market sector, there exists an agent-client relationship and a satisfied client can be the biggest brand ambassador for the company.\textsuperscript{41}

Sudarsana Reddy (2005) has elicited the customers' opinion on policies of private insurance companies and public insurance companies and also
identified customers' expectations on private insurance companies' policies. He stated that most of the respondents felt that the policies offered by the private insurance companies were up to customers' expectations.42

Anabil (2006) in his article entitled “Look After Your Customer” pointed out that the customer satisfaction on a purchase of life insurance product depends upon the product's performance relating to a buyer's expectations. If the performance exceed the expectations, the customer would be highly satisfied or delighted.43

Geetanjali (2006) in her study entitled “The Face of the Insurance Industry in India in 2006”, has stated that the insurance business in India was growing at the rate of 15-20 percent annually. The author has also found that the insurance penetration (premium as percentage of GDP) has increased from 2.32 percent in 2000 to 2.88 percent in 2003.44

Rajeev (2006) in his study entitled “Insurance: over the Transition”, has found out that the insurance density and insurance penetration-the two summary indicators of insurance, have gone up significantly. The insurance density increased from Rs.371 during the period 1999-2000 to Rs.663 during 2002-2003 and insurance penetration from 1.9 percent to 2.86 percent over the same period. The share of life insurance in gross financial savings of the household sector showed a steady increase from 10.6 percent during 1998-1999 to 13.9 percent during 2001-2003.45

Ramesh (2006) in his article entitled, “Ensuring Fair Claims Management-issues for Quick Disposal”, opined that the life policies were considered as the estates of the life assured and it was the policyholder/life assured who had to manage it, by paying the premium regularly. At the same time life insurer on his part was expected to meet the liability of claims as and when they are due. He suggested that if the personnel of the claims settlement section were not specifically trained on the aspect of prudent claims settlement there exists a danger of the claimants losing faith in the system of life insurance.46
Dhananbhakyam and Vijaysanthi (2007) conducted a preliminary research on “Customer awareness towards LIC policies in Coimbatore City”, to find the attitude of the respondents and awareness towards the LIC policies. The study has concluded that all insurance policyholders have same buying patterns. Everybody preferred buying insurance policies because they were useful and reduced the uncertainty and provided risk sharing.47

Hasanbanu and Nagajyothis (2007) conducted a study of Insurance perspectives in Uthamapalayam taluk. The study revealed that there is significant relationship between age, educational qualification, gender, occupation, income of the respondents and their level of investment while taking LIC policies and no significant relation between marital status, family size, family type and their level of investment while taking LIC policies.48

Harsh Walla (2008) through his article “Lapsation of an insurance policy and its implications” listed out the causes for lapsation such as purchase of insurance more than affordability, purchase of wrong types of policies, purchase of expensive policies etc. are some of the causes for lapsation.49

Rama Devi and Ramesh (2008) in their article entitled “Life Insurance Industry in India – a paradigm shift” have illustrated that the insurers were increasingly introducing innovative products to meet the specific needs of the prospective policyholders. They concluded that the innovations in the form of benefits attached to the products, delivery mechanisms which have emanated from various marketing tie-ups both within the realm of financial services and outside, have taken life insurance closer to the customers as well as making it more relevant.50

Irfan Ahmad (2008) has studied the “Indian Insurance Industry: Challenges and Prospects”. The study concluded that insurance plays a very important role in the financial sector of the country and that the insurance industry could go ahead with full of opportunities.51

Basavanthappa and Rajanalkar (2009) have conducted a study about “Policyholders’ Perception towards Life Insurance Products”, to know the
awareness level of the customers towards life insurance products and examine the preference of the policyholders. The study revealed that majority of the respondents have only basic knowledge, they were unaware of various life insurance products and most of the respondents have bought life insurance policies for tax savings.52

According to Debabrata and Aman (2009) life insurance is of paramount importance for protecting human lives against accident and other types of risks. Life insurance has been dominated by public sector in India. However with the liberalisation of Indian economy, private sector entry in life insurance has got momentum. The paper highlighted emerging trends and patterns in Indian insurance business during post globalization era and evaluated the role of private partners of life insurance in India.53

Sankaramuthu Kumar and Saravanan (2009) opined that the insurance penetration and insurance density in India is growing at a slow pace. In this context, the study on sixteen life insurance companies showed that these insurance companies can perform better by going for strategic partnership with banks and post offices, wholesale inclusion of rural masses, tuning grievance redressal mechanism, hiking the Foreign Direct Investment limit to help capital infusion and encouraging academic institutions to go for insurance education in a big way.54

Suneja and Sharma (2009) have expressed that with increasing competition policyholders have become very important for insurance companies in India. The outcome of the enhanced competition has resulted in difficulty in choosing an appropriate company by the prospective policyholders. Their study brought out the various factors influencing choice of a life insurance company such as image of the company, promotional activities, premium and procedural formalities. The study also compared those factors across different demographic groups of customers of life insurance companies.55
Masood and Tripti (2010) have opined that liberalization of the financial services sector has led insurance companies to function under competitive pressures and consequently the companies had directed their strategies towards increasing customer satisfaction and loyalty through improved service quality. The study aimed at developing a valid and reliable instrument to measure customer observed service quality in life insurance sector. The validated instrument comprised of assurance, personalized financial planning, competence, corporate image, tangibles and technology.56

Arulsuresh (2011) stated that the success of the life insurance business depends on the awareness of the policyholders about the products and satisfaction of the policyholders regarding the service rendered by LIC of India. Life insurance being a service sector is no exception to this principle. Insurers have now realized that CRM is essential if they want to deliver high quality services since it satisfies current customers and gains new ones. Insurers find that CRM is assisting them in their marketing efforts as well through a comprehensive understanding of the client base. 57

Syamala Rao (2012) in her article “Policyholder’s perceptions on LIC policies and services with reference to Srikakulam District in Andhra Pradesh” illustrated that insurance occupies an important position in the financial sector of an economy. The Life Insurance Corporation of India has devised several life policies to satisfy the diversified needs of the customers. In India, the level of insurance awareness in general is very low and it is very poor in rural areas. The customer will be the single most important factor driving change in the life insurance business. The key to success would be in providing insurance solutions, not insurance products. 58

Beenish Shameem and Sameer Gupta (2012) have stated about marketing strategies in life insurance service sector, how these strategies boost sales and marketability of a product which ultimately lead to customer satisfaction. Every insurer must recognize that its “strategic posture” depends partly on the competitive environment and partly on its allocation of marketing
resources. Life insurance industry requires new strategies in order to survive and survive successfully. Companies instead of focusing only on improving the variety of products need to focus on targeting new segments and implement innovative strategies in order to achieve sustained growth and ensure profitability of business as well as growth of insurance coverage.

Kathirvel and Radhamani (2013) in their article entitled “Satisfaction level of policyholders in LIC’s service with reference to Tirupur District, Tamilnadu” stated that life insurance companies are facing tough competition due to liberalized economy. Therefore, policyholders’ satisfaction is one of the most important challenges for life insurance companies. They concluded that majority of the policyholders are satisfied with LIC’s service. But many of the respondents have not understood clearly about the purpose of insurance. So it is suggested that LIC should conduct insurance awareness campaign with the help of advertisements and social groups.

1.10 RESEARCH GAP

The previous studies have focused on challenges and opportunities before life insurance companies, policyholders’ awareness, attitude and perception towards life insurance products of LIC of India. The present study aims to focus attention on marketing of life insurance products and satisfaction of policyholders (i.e.) pre and post marketing aspects of public and private sector life insurance companies.

1.11 OBJECTIVES OF THE STUDY

1. To bring out the profile of select life insurance companies-SBI Life, ICICI Prudential Life and LIC of India.
2. To examine the existing channels used for marketing the life insurance products.
3. To study the role of agents in promoting the life insurance products.
4. To study the awareness of the respondents about life insurance companies and their products.
5. To study the factors influencing the policyholders to take the policies and their attitude towards life insurance companies.
6. To study the reasons for lapsation of policies and examine the steps taken by the life insurance companies towards revival of the policies.
7. To analyse the level of satisfaction of policyholders towards the services rendered by the life insurance companies.
8. To suggest suitable measures to improve marketing of life insurance products and satisfaction of policyholders.

1.12 HYPOTHESES

- There is no significant association between the agents of select life insurers and the persons to be concentrated more for obtaining policies, mode of approaching the prospects and number of approaches made.
- There is no significant association between the opinion of the agents on effectiveness of publicity and demographic variables of the agents.
- There is no significant association between the level of satisfaction of agents about the benefits and their demographic variables.
- There is no significant association between the policyholders of select life insurers and source of awareness about life insurance companies, sum assured, mode of premium payment and amount of premium paid per annum.
- There is no significant association between overall level of satisfaction of the policyholders and their demographic variables.

1.13 METHODOLOGY

The research design is descriptive to reveal the existing marketing tactics of life insurance agents and satisfaction of policyholders. Primary and secondary data were collected from various sources.

Primary data

Primary data has been collected from the selected sample of respondents (i.e.) agents and policyholders. Pre tested and well designed questionnaires
have been used to collect primary data from the respondents with the geographical focus on Salem district of Tamil Nadu. Questionnaires have been the main tool used to collect the primary data from the selected sample of respondents (i.e.) agents and policyholders.

**Secondary data**

Secondary data has been collected from the Divisional Offices of the life insurance companies, journals, books relating to life insurance and other published materials. In order to know the marketing of life insurance products discussions were held with experts in the field of life insurance such as Divisional Managers, Development Officers, etc.

**Sampling technique**

Salem district has nine taluks viz: Salem, Attur, Gangavalli, Iddappadi, Mettur, Omalur, Sankiri, Valapadi and Yercaud. For the study life insurance companies such as LIC of India, SBI Life, ICICI Prudential Life Insurance Company Ltd., have been selected. Policyholders and agents from the branches of these companies in Salem district have been taken into consideration. Total number of policyholders and agents as on 31.03.2012 has been obtained from the Divisional office for framing the sample. Proportionate random sampling method has been adopted for collecting the data.

**Sample size**

The list of agents as on 31.3.2012 was obtained from the select life insurance companies. It revealed that there are 636 agents in SBI Life, 874 agents in ICICI Prudential Life and 5910 agents in Life Insurance Corporation of India in Salem District. Out of these agents, a sample of 5% has been selected under proportionate random sampling method. Out of these sample respondents, the final sample size has been determined after having eliminated the respondents who have given poor responses.
SAMPLE SIZE – AGENTS

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the life Insurance Company</th>
<th>No. of agents as on 31.03.2012</th>
<th>No. of agents selected @ 5%</th>
<th>No. of agents eliminated due to poor response</th>
<th>No. of agents in the final selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SBI Life</td>
<td>636</td>
<td>32</td>
<td>2</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>ICICI Prudential Life</td>
<td>874</td>
<td>44</td>
<td>1</td>
<td>43</td>
</tr>
<tr>
<td>3</td>
<td>Life Insurance Corporation of India</td>
<td>5910</td>
<td>315</td>
<td>18</td>
<td>297</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>7420</strong></td>
<td><strong>391</strong></td>
<td><strong>21</strong></td>
<td><strong>370</strong></td>
</tr>
</tbody>
</table>

Similarly, list of policyholders of each of the select life insurance companies as on 31.03.2012 was obtained from these companies. Since the number of policyholders was found to be greater, a sample of 1% of the total policyholders has been selected. The selection of policyholders has been made as follows:

SAMPLE SIZE – POLICYHOLDERS

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Name of the Insurance Company</th>
<th>No. of policyholders as on 31.03.2012</th>
<th>No. of policyholders selected @ 1%</th>
<th>No. of policyholders eliminated due to poor response</th>
<th>No. of policyholders in the final selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SBI Life</td>
<td>3345</td>
<td>33</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>ICICI Prudential Life</td>
<td>6410</td>
<td>64</td>
<td>4</td>
<td>60</td>
</tr>
<tr>
<td>3</td>
<td>Life Insurance Corporation of India</td>
<td>59271</td>
<td>592</td>
<td>22</td>
<td>570</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>69026</strong></td>
<td><strong>689</strong></td>
<td><strong>29</strong></td>
<td><strong>660</strong></td>
</tr>
</tbody>
</table>
1.14 PILOT STUDY

After constructing the questionnaire with wide coverage of personal data, marketing aspects, opinion of the agents, awareness, investment behaviour, renewal, lapsation, revival, claim settlement and level of satisfaction regarding the services rendered by the life insurance companies, the pilot study has been made with a sample of 20 life insurance agents and 50 policyholders. Taking into consideration, the suggestions of the selected sample respondents, necessary modifications were incorporated after the pilot study as suggested by the Research Supervisor.

1.15 TOOLS USED FOR ANALYSIS

The collected data has been analyzed with the help of various statistical tools like Simple percentage, Chi-square test, ANOVA, Factor Analysis, Friedman Test, Henry Garrette ranking technique and SERVQUAL approach.

1.16 OPERATIONAL DEFINITIONS

Agent: An authorized and licensed representative of an insurance company who sells and services life insurance policies. Agents represent the insurance company and typically sell policies for that company.

Claim: Notification to an insurance company that payment of the benefit is due under the terms of the policy.

Grace Period: The period of time between a premiums’ due date and the date the policy will lapse if the premium remains unpaid. This period is usually 30 days. If the insured dies during the grace period, the unpaid premium is deducted from the policy proceeds.

Insurable Interest: The existence of potential financial loss on the part of the policy owner and / or beneficiary(s) in the event of the death of the insured. The policy owner and any beneficiaries must have an insurable interest.

Lapse: The termination of a life insurance policy due to non-payment of premium.
**Lapse Notice:** The notice provided in writing to the policy owner that the policy has lapsed.

**Life Expectancy:** The average number of years of life remaining for persons of a given age according to a particular mortality table.

**Surrender:** The policyholder may terminate the policy before the maturity period.

**1.17 LIMITATIONS OF THE STUDY**

Though the present study aims to achieve its stated objectives, it may be hampered due to certain limitations. The following are the limitations encapsulated in the conduct of this study.

- The primary data was collected from Salem district of Tamil Nadu. The results arrived from the study may or may not be applicable to other districts.
- Though there are many channels of distribution only the agents (prime force in insurance sales) have been considered for the study.
- The life insurance companies offer a basket of schemes to meet the various needs of an individual and his family. Endowment, money back, unit linked, children’s plans and pension plans have been considered for the study.
- The study has been limited to three life insurance companies namely SBI Life, ICICI Prudential life and LIC of India at Salem district.
- The data collection proved challenging because the agents were reluctant and hesitant to reveal their views regarding life insurance company. However adequate care has been exercised to collect the unbiased data.
1.18 CHAPTER SCHEME

- The First Chapter shows the vivid account of introduction and design of the study which includes need for insurance, statement of the problem, review of literature, scope of the study, objectives, hypotheses, methodology, limitations and chapter scheme.
- The Second Chapter describes profile of select life insurance companies, establishment, functions, marketing mix of life insurance companies and profile of life insurance products.
- The Third Chapter exhibits analysis of marketing of life insurance products by the agents.
- The Fourth Chapter presents analysis of satisfaction of policyholders.
- The Fifth Chapter contains findings of the study, offers few suggestions and brings out conclusion.
REFERENCES