Chapter 7

SUMMARY- FINDINGS AND SUGGESTIONS

In academic field the research is an ongoing process that knows no limits and no full stops. Even then the main findings emerging out of the present study have been listed below

It is important to understand the market structure of life insurance sector. LIC as a dominant player has gained an increase of 88% in new business premium income. Despite of uncertain environment, total premium of Life Insurance industry increase by 66% to Rs 62,361.34 crore in first six months of the current fiscal from Rs 39,046.59 crore in same period last fiscal. In 2010, life insurance companies witnessed new business premium collecting during first five months. According to LIC’s recent filing with IRDA the total value of its investments from policy holders funds, as at June 30 2010, stood at Rs 867,935 crore as agencies Rs. 717,002 crore on June,2009, the value of investments in equity share has become 183,233 crore. Public sector Life Insurance Corporation of India (LIC) has clocked a robust 72.53 per cent jump in fresh premium collection in January 2009 leaving behind major private sector players, most of whom have posted negative growth in the month as compared to January 2008.

The top 5 life insurance companies in India control 85% of the market-share while the remaining dozen are still struggling to setup their operation. If we see the entire market amongst private players only excluding LIC in life insurance sector we would see there is hardly any private player which has a grip over the market.

India has come a long way since the economic reforms in 1991, moving from the growth rates of 5% into the orbit of 7-9% growth rates. This growth has been structurally driven by economic reforms, private entrepreneurship and linkages to the global economic boom. A McKinsey study estimated that India is likely to emerge as the fifth largest consuming nation in the globe by 2025. Significant demographic changes over the next two decades should throw up major investment opportunities for businesses as well as investors.
Every year, around Rs. 600,000 crores (Rs. 6 trillion) of household savings is being invested into HH Financial assets. Around 18-20% of this income goes into insurance. Proposed Direct Tax code, aimed at a substantial increase in income tax limit and product efficiency, could also lead to higher contribution to insurance.

7.1: Findings of the Study

7.1.1: Comparison of Business Earned by the LIC of India and the Private Life Insurance Companies

- None of the private life insurance companies stand anywhere in comparison to LIC of India. As there is a huge gap between the life insurance premiums received by LIC of India and any of the other private life insurance companies.

Even if all the companies are combined together, they cannot compete with LIC of India even today, so far as the annual life insurance premiums are concerned.

7.1.2: Comparison and Study the Trend of LIC of India after Introduction of Private Life Insurance Companies

- It shows the exponential increase in the annual premiums and cumulative premiums earned by LIC of India year after year. LIC is the giant of the insurance sector. The overall size of LIC is much more than that of all private insurance companies. Private insurers are in expansion mode and are increasing their size but are still much behind LIC. Cumulative premium deposits in LIC are much higher than the private insurance companies. Cumulative premium of LIC in Financial Year 2009-10 was Rs. 186077 crores which more than double that of combining all the private life insurance companies (i.e. Rs. 79373.06 crores).

- So far as the annual premium concerned, there is unexpected behavior of the actual yearly LIC premium in comparison to the estimated values, The unexpected behaviour is in the sense that it was expected that the amount of LIC annual premium would get lowered as compared to its earlier trend on coming into existence the new entrants’ i.e. private life insurance companies.
into the market. But, the situation is reversed and the annual LIC life insurance premium went beyond expectation and much higher to the estimated values. In our opinion, this reverse change is due to the fact described in the following paragraph:

Before the entry of the private insurers in the life insurance market, a significant number of people were unaware about the insurance sector. But during the recent decade, credit for spreading awareness among masses must go to the private sector. This sector has done its best to canvas the people by door to door and village to village campaigns. Private sector has faced the difficulties for making the people agree/ aware about the insurance. Though the private Life Insurance companies played a key role in making the general public aware, yet the data explore that the efforts put by the private insurers become the boon for the LIC as majority of the customers after getting aware preferred to opt LIC over the other private insurers. It may be because LIC being the only life insurance company before year 2000 and being trusted by lot of people and has a big share in the corporate sector.

- So far as the cumulative premium concerned, there is unexpected behavior of the actual cumulative LIC premium in comparison to the estimated values, because one could expect that the amount of LIC cumulative premium will get lowered as compared to its earlier trend on coming in to existence the new entrants’ i.e. private life insurance companies into the market. But, the situation is reversed and the cumulative LIC life insurance premium went beyond expectation and much higher to the estimated values. In our opinion, the reason behind this is having an only company of public sector and the resulted faith of mass among residents of India.

7.1.3: Comparison of Business Earned Amongst the Private Insurers

- There is significant difference in the mean yearly premiums earned by all the 22 private life insurance companies. Such difference also exists even for top 21,20,…, 10,9,8 companies. However, the difference was found insignificant for the top 10 private life insurance companies. That is the top 10 private life insurance companies viz. ICICI Life Insurance Company, Bajaj Allianz Life
Insurance Company, SBI Life Insurance Company, Reliance Life Insurance Company, HDFC Standard Life Insurance Company, Birla Sunlife Life Insurance Company, Max New York Life Insurance Company, Kotak Life Insurance Company, Tata AIG Life Insurance Company and Aviva Life Insurance Company can be considered at more or less the same position, so far as the mean yearly premiums are concerned.

Estimated position of top 10 private life insurers with respect to yearly life insurance premium earned is as follows:


- So far as the cumulative life insurance premiums are concerned again the difference was found insignificant for the top 10 private life insurance companies viz. ICICI Life Insurance Company, Bajaj Allianz Life Insurance Company, SBI Life Insurance Company, HDFC Standard Life Insurance Company, Birla Sunlife Life Insurance Company, Reliance Life Insurance Company, Max New York Life Insurance Company, Kotak Life Insurance Company, Tata AIG Life Insurance Company and Aviva Life Insurance Company can be considered at more or less the same position, so far as the mean yearly premiums are concerned.

Estimated position of top 10 private life insurers with respect to cumulative life insurance premium earned is as follows:


7.1.4: Consumer Behavior towards Life Insurance in the State of Haryana
• That the type of life insurance plan purchased is not affected by the education level. We can say that education affects the decision to purchase the type of life insurance policy. The less educated people opt the public sector i.e. LIC. They do not feel secure opting the private sector. Private and public sector does not matter for graduates or the people having higher education. They can go for any company if satisfied with the policy.

The type of life insurance plan purchased is not affected by the family size. We can say that family size does not make any difference for opting the decision to purchase the type of life insurance policy from public or private sector life insurance companies. It means that the person having different size of family whether it is small, medium or large can opt for public sector i.e. LIC or private sector.

The type of life insurance plan purchased is not affected by the income of the consumer. We can say that income per month and type of life insurance purchased is not independent i.e. income per month of the consumer affects the decision to purchase the type of life insurance policy.

• The percentage of income spent on life insurance is not affected by the family size. We can say that family size and percentage of income spent on life insurance is independent i.e. family size does not matter for investing the percentage of their income towards life insurance policies. It means that the person having different size of family whether it is small, medium or large can opt for public sector i.e. LIC or private sector.

The percentage of income spent on life insurance is not affected by the educational level of the consumer. We can say that educational level and percentage of income spent on life insurance is not independent i.e. educational level of the consumer affects the decision of percentage of income spent on life insurance.

• The person for whom the policy is purchased is not affected by the educational level of the consumer. We can say that educational level and person for whom the policy is purchased is not independent i.e. educational level of the consumer affects the person for whom the policy is purchase. Private and public sector does not matter for less educated and average educated. They
can go for either of the companies. The people having higher education opt the public sector i.e. LIC. They do not feel secure opting the private sector.

The person for whom the policy is purchased is not affected by the monthly income level. We can say that monthly income does not matter for the person for whom the policy is purchased towards life insurance policies. It means that the person having different monthly income level can opt for public sector i.e. LIC or private sector.

The person for whom the policy is purchased is not affected by the family size of the consumer. Consumers whose family size having less than five and 5 to 7 members, for them private and public sector does not matter So the people of above mentioned family size can go for either of the companies. But the consumer having family size more than 7 opt the public sector i.e. LIC

- The person whose recommendations affect the consumer is not affected by the education level. We can say that educational level does not matter for the person whose recommendations affect the consumer towards life insurance policies. It means that the person having different educational level can opt for public sector i.e. LIC or private sector.

The person whose recommendations affect the consumer is not affected by the income level. Here we can say that various income groups does not matter for the person whose recommendations affect the consumer towards life insurance policies. It means that the person having different monthly income can opt for public sector i.e. LIC or private sector.

- The premium payment plan is not affected by the income per month of the consumer. Here we can say that monthly income of the consumer affects the premium payment plan. But after applying chi-square test on given data it reveals that the selection of company does not matter regarding the premium payment plan on life insurance policies whether the consumer is belonging to lower income group, middle income group and higher income group. The satisfaction of consumer enables him to go with any life insurance company whether it is of public sector i.e. LIC or of public sector.

The premium payment plan adopted by the consumer is not affected by the respect of educational level of the consumer. Here we can say educational level of the consumer affects the premium payment plan adopted by the
consumer. The monthly income does not matter the purpose to purchase life insurance policy. It means that the person having different monthly income level can opt for public sector i.e. LIC or private sector.

- The purpose to purchase life insurance policy is not effected by the income level. We can say that monthly income does not matter the purpose to purchase life insurance policy. It means that the person having different monthly income level can opt for public sector i.e. LIC or private sector.

- The interest to know facts about the insurance policy is not effected by the income level / educational level. We can say that monthly income and qualification does not matter for the interest to know facts about the insurance policy. It means that the person having different monthly income level and different qualification can opt for public sector i.e. LIC or private sector.

- The having of insurance policy either of private or public company is not effected by the education level and income level. We can say that the educational level and income level of consumer does not matter for the purchase of life insurance policy either of private or public company. It means that the person having different qualification level and different monthly income can opt for public sector i.e. LIC or private sector.

7.1.5: Popularity determination of Private Insurance Companies among the Rural and Urban Respondent in the State of Haryana

- Amongst private life insurance companies the popularity of the life insurance companies under consideration is in the following order, with regard to rural respondents:

1. ICICI Prudential life and SBI Life Insurance Company are equally popular and at the top most position
2. HDFC Standard Life Insurance Company, Reliance Life Insurance Company and Bajaj Allianz Life Insurance Company are equally popular and come to the next position.
4. Kotak Life Insurance Company and TATA AIG Life Insurance Company are equally popular and come to the fourth position
5. Max New Life Insurance Company comes to the fifth position in the popularity list

- Amongst private life insurance companies the popularity of the life insurance companies under consideration is in the following order, with regard to urban respondents:
  1. ICICI Prudential life Insurance Company is at the top most position
  2. HDFC Standard Life Insurance Company, SBI Life Insurance Company and Bajaj Allianz Life Insurance Company are equally popular and come to the next position.
  3. Reliance Life Insurance Company, Kotak Mahindra Life Insurance, TATA AIG Life Insurance Company and Birla Sunlife Life Insurance Company are equally popular and come to the third position in the popularity list.
  4. Birla Sunlife Life Insurance Company and Max New Life Insurance Company are equally popular and come to the fourth position
  5. Future Generali Life Insurance Company comes to the fifth position in the popularity list

- Amongst private life insurance companies the popularity of the life insurance companies under consideration is in the following order, with regard to both type of respondents:
  1. ICICI Prudential life Insurance Company is at the top most position
  2. SBI Life Insurance Company and HDFC Standard Life Insurance Company are equally popular and come to the next position.
  3. Bajaj Allianz Life Insurance Company is at third position
  4. Reliance Life Insurance Company come to the fourth position
  5. Birla Sunlife Life Insurance Company comes to the fifth position in the popularity list.
  6. Kotak Mahindra Life Insurance and TATA AIG Life Insurance Company are equally popular and come to the sixth position in the popularity list.
  7. Max New Life Insurance Company come to the seventh position
8. Future Generali Life Insurance Company comes to the eighth position in the popularity list

7.1.6: Satisfaction of Intermediaries of Public and Private Life Insurance Sector in the State of Haryana

- The satisfaction level of intermediaries in respect to commission/salary of the life insurance Companies under consideration is in the following order:

1. The intermediaries belonging to LIC, SBI life insurance Company, and Birla Sunlife Insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to commission/salary.

2. The intermediaries belonging to Bajaj Allianz Life Insurance Company, ICICI Prudential Life insurance Company and Reliance Life Insurance Company are equally satisfied and hence these companies come to the position next to LIC, SBI life insurance Company, and Birla Sunlife Insurance Company with regard to commission/salary.

3. The position of HDFC Standard Life Insurance Company is next to the above companies with regard to commission/salary.

4. The Kotak Life Insurance Company comes to the position next to the above companies with regard to commission/salary.

- The satisfaction level of intermediaries in respect to working environment of the life insurance Companies under consideration is in the following order:

1. The intermediaries belonging to LIC, HDFC Standard Life Insurance Company and Kotak Life Insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to working environment.

2. The intermediaries belonging to Reliance Life Insurance Company, SBI life insurance Company, Bajaj Allianz Life Insurance Company
are equally satisfied and come to the next position with regard to working environment.

3. The intermediaries belonging to Birla Sunlife Insurance Company and ICICI Prudential Life insurance Company are equally satisfied and come to the next position with regard to working environment.

- The satisfaction level of intermediaries in respect to reputation/market acceptability of the life insurance Companies under consideration is in the following order:
  1. The intermediaries belonging to HDFC Standard Life Insurance Company are equally satisfied and come to top position
  2. The intermediaries belonging to SBI life insurance Company LIC, Reliance Life Insurance Company, Kotak Life Insurance Company, ICICI Prudential Life insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and come to the next to top position with regard to Reputation/Market acceptability.
  3. The intermediaries belonging to Bajaj Allianz Life Insurance Company are satisfied and come to the next position with regard to Reputation/Market acceptability.
  4. The intermediaries belonging to Birla Sunlife Insurance Company are equally satisfied and come to the next position with regard to Reputation/Market acceptability.

- The satisfaction level of intermediaries in respect to Service quality of the company of the life insurance Companies under consideration is in the following order:
  1. The intermediaries belonging to HDFC Standard Life Insurance Company and Reliance Life Insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Service quality of the company.
2. The intermediaries belonging to Kotak Life Insurance Company, LIC and ICICI Prudential Life insurance Company are equally satisfied and come to the next position with regard to Service quality of the company.

3. The intermediaries belonging to Birla Sunlife Insurance Company and Bajaj Allianz Life Insurance Company are equally satisfied and come to the next position to above with regard to Service quality of the company.

4. The intermediaries belonging to SBI life insurance Company are equally satisfied and come to the next position to above with regard to Service quality of the company.

- The satisfaction level of intermediaries in respect to **Promotional schemes for customers** of the life insurance Companies under consideration is in the following order:
  1. The intermediaries belonging to Reliance Life Insurance Company, HDFC Standard Life Insurance Company, Birla Sunlife Insurance Company and Kotak Life Insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Promotional schemes for customers.
  2. The intermediaries belonging to, ICICI Prudential Life insurance Company and Bajaj Allianz Life Insurance Company are equally satisfied and come to the next position with regard to Promotional schemes for customers.
  3. The intermediaries belonging to LIC are equally satisfied and come to the next position to above with regard to Promotional schemes for customers.
  4. The intermediaries belonging to SBI life insurance Company are also satisfied and their satisfaction comes to the next position to above with regard to Promotional schemes for customers.
The satisfaction level of intermediaries in respect to **Promotional avenues in career** in the life insurance Companies under consideration is in the following order:

1. The intermediaries belonging to, ICICI Prudential Life insurance Company, HDFC Standard Life Insurance Company, Kotak Life Insurance Company and Reliance Life Insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Promotional avenues in career.
2. The intermediaries belonging to LIC are equally satisfied and come to the next position with regard to Promotional avenues in career.
3. The intermediaries belonging to SBI life insurance Company and Bajaj Allianz Life Insurance Company are equally satisfied and come to the next position to above with regard to Promotional avenues in career.
4. The intermediaries belonging to Birla Sunlife Insurance Company are also satisfied and their satisfaction comes to the next position to above with regard to Promotional avenues in career.

The satisfaction level of intermediaries in respect to **Club Membership** of the life insurance Companies under consideration is in the following order:

1. The intermediaries belonging to Reliance Life Insurance Company, HDFC Standard Life Insurance Company and SBI life insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Club Membership to the intermediaries.
2. The intermediaries belonging to Bajaj Allianz Life Insurance Company, Kotak Life Insurance Company, LIC and ICICI Prudential Life insurance Company are equally satisfied and come to the next position with regard to Club Membership to the intermediaries.
3. The intermediaries belonging to Birla Sunlife Insurance Company are equally satisfied and come to the next position to above with regard to Club Membership to the intermediaries.
The satisfaction level of intermediaries in respect to **Perquisites given by the company** of the life insurance Companies under consideration is in the following order:

1. The intermediaries belonging to Reliance Life Insurance Company, HDFC Standard Life Insurance Company, Kotak Life Insurance Company, ICICI Prudential Life insurance Company and Bajaj Allianz Life Insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Perquisites given by the company.

2. The intermediaries belonging to LIC and Birla Sunlife Insurance Company are equally satisfied and come to the next position with regard to Perquisites given by the company.

3. The intermediaries belonging to SBI life insurance Company are also satisfied and come to the next position to above with regard to Perquisites given by the company.

The satisfaction level of intermediaries in respect to **Repayment of commission** in the life insurance Companies under consideration is in the following order:

1. The intermediaries belonging to, Reliance Life Insurance Company and SBI life insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Repayment of commission.

2. The intermediaries belonging to Bajaj Allianz Life Insurance Company and ICICI Prudential Life insurance Company are equally satisfied and come to the next position with regard to Repayment of commission.

3. The intermediaries belonging to LIC, HDFC Standard Life Insurance Company and Kotak Life Insurance Company are equally satisfied and
come to the next position to above with regard to Repayment of commission.

4. The intermediaries belonging to Birla Sunlife Insurance Company are also satisfied and their satisfaction comes to the next position to above with regard to Repayment of commission.

- The satisfaction level of intermediaries in respect to **Range of insurance products** under consideration is in the following order:
  
  1. The intermediaries belonging to LIC and SBI life insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Range of insurance products.
  2. The intermediaries belonging to ICICI Prudential Life insurance Company, HDFC Standard Life Insurance Company, Reliance Life Insurance Company, Bajaj Allianz Life Insurance Company and Birla Sunlife Insurance Company are equally satisfied and come to the next position with regard to Range of insurance products.
  3. The intermediaries belonging to Kotak Life Insurance Company are equally satisfied and come to the next position to above with regard to Range of insurance products.

- The satisfaction level of intermediaries in respect to **Product according to need of customer** under consideration is in the following order:
  
  1. The intermediaries belonging to SBI life insurance Company, HDFC Standard Life Insurance Company, Reliance Life Insurance Company and Kotak Life Insurance Company are equally satisfied as there is no significant difference between the mean values of the satisfaction level of intermediaries. These companies are at equal footing and at the top position with regard to Product according to need of customer.
  2. The intermediaries belonging to LIC and ICICI Prudential Life insurance Company are equally satisfied and come to the next position with regard to Product according to need of customer.
3. The intermediaries belonging to Bajaj Allianz Life Insurance Company and Birla Sunlife Insurance Company are equally satisfied and come to the next position to above with regard to Product according to need of customer

7.2: Suggestions and Recommendations for Improvement in Private and Public Life Insurance Sector

The life insurance sector has a vast potential not only because incomes are increasing and assets are expanding but also because the volatility in the system is increasing. In a sense, we are living in a more risky world. Trade is becoming increasingly global. Technologies are changing and getting replaced at a faster rate. In this more uncertain world, for which enough evidence is available in the recent period, insurance will have an important role to play in reducing the risk burden individuals. In the emerging scenario, the life insurance industry must pay attention to

a) Product innovation,

b) Appropriate pricing, and

c) Speedy settlement of claims.

The approach to insurance must be in tune with the changing times. The mission of the life insurance sector in India should be to extend the insurance coverage over a larger section of the population. Following are the suggestions and recommendations:

7.2.1: Recommendations:

• It is the need of the hour that LIC should not enjoy preferential treatment as it has privilege of sovereign guarantee given by Govt. of India. A free market should be provided to life insurance sector so as to promote healthy competition

• The life insurance market will see a healthy competition with the opening up of developing markets to competition, there is a greater impetus to demand growth and volumes would start dictating economic sizes and pricing. This fuels mergers and acquisition and makes survival of small sized firm difficult. Though life insurance sector had not seen any merger and acquisition as yet
but in the near future, with the growth of the market, such problems shall come up.

- There should be a fair effort made by regulatory commission to enlarge the distribution network to provide a level playing field to all players and also discourage dominance of LIC due to exclusive distribution of network through agents.

- It is further suggested that government must increase FDI cap from 26% to 49% to bring more players in market which would help more population to be covered from life insurance.

- For any life insurance company, it is essential to identify customers with respect to their net worth and retaining them. Customer demand personalized services across all channels, and organizations must align their resources appropriately to create to the needs of the customers. A successful organisation should have a deep insight into the departmental initiatives as well as the departmental jurisdictions, which should be kept flexible.

- A smart life insurance company will understand that the only way to offer a profitable, differentiated services and product mix is better understanding of customers and their requirements. By gaining insight into both individual customers and target market segments, these life insurance companies can boost up their sales, achieve the corporate objectives and optimize business performance.

- Life insurance companies need to priorities customer centricity and this will lead to a positive effect on corporate performance. Otherwise, this will further reflect in high customer churn, low customer satisfaction, falling employees morale, decreasing market share and increasing costs because of fragmented business approach.

- An integrated customer-centric technology backbone ensures that the total requirements of the customer is in consistent with the entire organization and provides the right information at the right time, to the right person and optimize the customer enterprise relationship. The technology backbone should also be extended throughout the enterprise to include value added networks.
• Quality data management is essential. The data collected from the customers should be comprehensive and leveraged both past and real time data, for more purposeful applications and meeting customer needs. Critical information such as customer life cycle should also drive the suit. Finally, the relationship between the people and the business environment is to be optimized and aligned based on customer interaction.

• To charge premium no higher than what is warranted by strict actuarial considerations i.e. to say that there should not be any hidden cost.

• To render efficient and prompt service to policy holders. With imaginative corporate planning and an abiding commitment to improved service, the mission of widening the spread of insurance can be achieved.

7.3: Further Scope of study

• Such study, if done for the next 10 years, may give some surprising results and some changed ends. Some private life insurance companies may go ahead in comparison to LIC of India so far as the annual premiums are concerned.

• Such study taking into considerations the number of policies of the companies may also be carried out.

• Primary data collection with respect to consumer as well as to intermediaries with reference to all the states of India may be taken for further study.