Chapter-Two
Review of Literature

This chapter contains the review of literature used in the present study. These include books, articles, journals published. Some journals, periodicals have also been referred to seek the information useful for the study. It also includes the information collected from the divisional offices of the LIC.

1) Peter Drucker (1999), admitted that by providing financial protection against the major eighteenth and nineteenth century risks of dying too soon, life insurance became the biggest financial industry of that century. Providing financial protection against the new risks of not dying soon enough may well become that next century’s major and most profitable financial industry”.

2) TS Rama Krishna Rao (2000), opined that 1999-2000 was a landmark year in the history of the Indian insurance industry. The year 2007 was going to be another watershed for the industry. Deteriffication from first January 2007 will totally change the complexion of the non-life insurance industry. Financial inclusion is being emphasized in various fora. The insurance industry will have to play a vital role by providing health insurance and other insurance products for the poor”. 
3] A.K. Jain (2004) revealed that “Waves of liberalization have done wonders to prosper the insurance occupation to the status of a career with a bright future. Particularly, the younger generation in India is very amenable to these changes in insurance as an avenue where exhilarating opportunities are opened up in changed environment”.

4] A.K. Sukla (2006), felt that the euphoria is well earned as we look at the economic measures of liberalization initiated in insurance sector. Six years into competitive market, the Indian insurance industry exhibited a healthy growth trend of new business and market share. From total premium underwritten of Rs.34, 898 crore in the year 2000-01 to Rs.66, 287.93 crore in 2003-04, followed by the aggressive achievement posted at Rs. 81,301.40 crore in 2004-05, the life insurance industry saw the new players stabilize their operations keenly matched by LIC and the premium numbers bring out the fact that the size of the insurance market grew over the six years of liberalization”. He also views that with liberalization, India is penning the script of insurance convergence (catch up) and not Insurance divergence (falling behind)”.”Since opening of insurance industry, in 2003-04, private players have brought 21.87 percentage of their new business, through referrals and direct business, a sign of harnessing the strengths of the competitive market of the
respective organization. It clearly indicates the comfort zone of operation of the players. But the real operational efficiency will emerge beyond the boundaries of comfort when they will try to expand the market share in the unfamiliar territory.

5) C.S Rao (2007), reported that “Insurance is a vital economic activity and there is an excellent scope for its growth in the emerging markets. The opening up of the insurance sector has raised high hopes among people both in India and abroad. The recent detarrification in the non-life domain has provided a great deal of operational freedom to the players”.

6) Sabera (2007), indicated that the Government of India liberalized the insurance sector in March 2000, which lifted the entry restrictions for private insurance players, allowing foreign players to enter into the market and start their operations in India. The entry of private players helps in spreading and keeping the operation in the Indian insurance sector which in turn results in restructuring and revitalizing of public sector companies“.

7. Retention of the Customers is the essence of Insurance business, Imtiyaz. H Ltd. VASI DO, Insurance Times Feb 2007:

    Retaining a customer is four times cheaper than acquiring a new one. The retention of the customers is of utmost
importance in the insurance industry in specification. Insurance business is of the relationship building process where one customer leads to the building of other one. A satisfied customer is like a word of mouth advertisement for the company. The needs of the existing customers should be identified and satisfied well rather than only concentrating at the new accounts. All possible measures needs to taken to retain the customers as it is less costlier as well as it provides stability to the business.


It wasn’t too long back when the good old endowment plan was the preferred way to insure oneself against an eventuality and to set aside some savings to meet one’s financial objectives. The traditional endowment policies were investing funds mainly in fixed interest Government securities and other safe investments to ensure the safety of capital. Thus, the traditional emphasis was always on security of capital rather than yield. However, with the inflationary trend witnessed all over the world, it was observed that savings through life insurance were becoming unattractive and not meeting the aspirations of the policyholders. The policyholder found that the sum assured guaranteed on maturity had really depreciated in real value because of the depreciation in the value of money. The investor was no longer content with the so called security of capital provided under a policy of life insurance and started
showing a preference for higher rate of return on his investments as also for capital appreciation. It was, therefore found necessary for the insurance companies to think of a method whereby the expectation of the policyholders could be satisfied. The object was to provide a hedge against the inflation through a contract of insurance. Decline of assured return endowment plans and opening of the insurance sector saw the advent of ULIPs on the domestic insurance horizon. Today, the Indian life insurance market is riding high on the unit linked insurance plans.


At national as at individual level, the excess of income after consumption level savings as funds for investment. Surplus funds can be invested in either real assets or in financial assets. Purpose of investment is to protect one’s wealth against erosion of value due to inflation and to earn risk adjusted return. There are three motives which drive people to purchase insurance products in India.

_ Desire to cover risk
_ Tax benefit
_ Saving motives

It is argued that in the changing scenario for the insurance sector there is going to be good opportunities for the insurance sector to expand its market base. For this purpose, there is a need to
improve the features of the insurance products to make them more liquid or short term schemes could be increased. It is shown that although rewards implied by the insurance products particularly by the tax benefits are quite close to those observed in banks and small savings schemes of the government. The performance of mutual funds which come in many different types is found to be reasonable compared to the risk involved. The survey indicates that it may not be very difficult to win over the confidence of small investors towards insurance policies if good marketing techniques are adopted to educate the targeted population about the uses of insurance policies from investment point of view.


   Insurance is one product which is not demanded by a customer, but supplied to him by massive education and drive marketing. Insurance ought to be bought not sold. The new concept of demand side innovation focuses more on customer’s social and economic reality striving to deliver maximum value to the customer at an affordable price. Therefore, when the customer becomes the primary focus including him in the invention process becomes mandatory. But, there are certain areas of insurance innovations where the customers cannot be involved.
Some more literature has also been reviewed to get a better insight into the various aspects of the Life Insurance Corporation of India. These reviewed literatures have been listed below:


12. Subhodh Gupta (2009), Agency business model of insurance companies “competitive strategies”.


18. M. Shri Nivas, Causes of Lapsation of Life Insurance Policies in LIC of India· Osmania University, Hyderabad, India.


22. C. R. Kothari, Research Methodology and Methods Techniques, New Age International Publication, New Delhi, 2004


