CHAPTER II

Research Objectives, Hypothesis and Methodology

2.1 Background and Purpose of the Research Study -

Most service organizations, at present are focusing not only on maintaining harmonious customer relationships but also on managing these relationships quite satisfactorily. Insurance companies too, are not an exception to this observation.

Majority of the life insurance policies cover relatively very long periods. Hence, establishment of long term relationships with policy holders or consequent beneficiaries of life insurance policies becomes an imperative matter of utmost requirement as well as significance, in practice. The business of life insurance enjoyed monopoly from the year 1956 till the year 2000, for about forty four years. In spite of this, the business of life insurance could not prosper and reveal impressive growth forget, market penetration, especially, in respect of the rural regions of India where tremendous business potential has remained untapped.

Furthermore, the task of marketing of policies of life insurance is becoming relatively more difficult with the passage of time, primarily because of the entry of many multi-national companies (in the sphere of insurance) particularly from October 2000.

Moreover, the performances of such several private sector insurance companies are impressive in- spite of the existence of competition, especially, from the leading competitor – L. I. C. If present life insurance business and marketing practices are not checked, controlled and changed with immediate effect, combating with the competition certainly would turn out to be very difficult. Also, if the existing marketing scenario is unchanged, the consumers or beneficiaries and also, ‘would be’ policy holders may neglect L. I. C. On the contrary, if this is undone the day is not far when the beneficiaries and the ‘would be’ policy holders would forget L. I. C., totally.

When the radio station – ‘Vividhabharati Broadcasting Corporation’ started in ‘Mumbai’ (then ‘Bombay’) in the year 1958, the listeners of the radio started forgetting the radio
station – ‘Srilanka’ which was the only popular radio station, at that time and switched on to listening of the radio station – ‘Vividhabharati.’

Subsequently, when the radio station – ‘Radio Mirchi’ started in the year 2002, in different metropolitan cities as well as in several other cities, the radio listeners started forgetting ‘Vividhabharati’ and switched on to the listening to ‘Radio Mirchi.’ Also, when televisions came in India in the year 1972, the viewers of the television had no option to change the channel, because there was no concept of multi-channels, in that year. However, when several other channels of television came into active operation, with the passage of time, and started entertaining the television viewers, with perhaps, better frequency and more intensity, the prime and the introductory channel of television was, almost, forgotten, by the television viewers.

This commercial background, existing as of today, undoubtedly, arouses a real as well as a practical need to suggest some measures to improve the existing marketing policies of L. I. C., after detail and in depth study and proper scrutiny of recent trends in the business of life insurance. Simultaneously, one of the main practical hurdles, amongst others, existing in the long mechanism of maintenance and development of sound or harmonious relationships with the existing policy holders or subsequent beneficiaries is the existing legal framework associated with the business of life insurance.

In this connection, a fact needs to be acknowledged that sometimes, neither the insurer (L. I. C.) nor the insured (policy holder or subsequent beneficiary) like or intend to abide by a few provisions of laws associated with the business and marketing of life insurance. However, it is observed, in practice, that they both are, totally, helpless, at present. Therefore, there also exists a real as well as a practical need to suggest necessary and desirable changes in the existing legal framework associated with the business and marketing of life insurance, in the light of improvement of existing legal practices and procedures, adopted during management and maintenance of customer relationships.

Moreover, the two vital factors, namely, insurance servicing and the laws associated with the business and marketing of life insurance are not at all independent or isolate and unrelated, but, these are totally, interdependent and interrelated. Although, there exists a very fine line of demarcation between these two vital factors, at times, these two factors do overlap with each other, because the line of demarcation existing between the two is, really,
relatively, so thin in practical nature, that it becomes very difficult to distinguish or to
differentiate between them. Besides, sometimes it is also noticed that the policy holders or
the subsequent beneficiaries are, more often than not, found, perhaps, unnecessarily, in a
psychological state of deep confusion, as to the exact practical nature or legal impacts of the
existing life insurance laws, governing a particular life insurance policy in force. At this
crucial and critical juncture, if proper and practically effective communication, with the
current and the ‘would be’ consumers is successfully arranged, relating to the marketing
and legal aspects associated with the business of life insurance, prevailing communication
gap between desirable and mutual level of legal understanding may come down. Consequently, the resultant confusion about legal concepts and legal framework of life
insurance may come down. This may directly help the L. I. C. to promote its business, quite
substantially, impressively and effectively.

As it has been emphasized earlier, marketing of life insurance involves deep practical study
of several legal aspects associated with the business of life insurance. Furthermore, in a
wider or a broader sense, marketing of several life insurance policies is, actually, ruled and
regulated not only by the business considerations or by the commercial considerations but
also, simultaneously, equally effectively by the legal considerations.

As a matter of fact, the legal aspects of life insurance marketing mean peculiar legal
provisions in force, at present, which guide or govern the marketing of business of life
insurance. In other words, these are some of the statutory provisions needed to be complied
with by all the insurance companies while undertaking their business activities.

Moreover, legal aspects relating to insurance marketing have considerable and deep impact
on strategic marketing decision making in life insurance business. Such legal aspects
protect the interests not only of the life insurance beneficiaries and the society, at large, but
also the interests of various life insurance advisors.

By permitting the entry of several foreign insurance companies in India, the central
government has, undoubtedly, made an honest attempt not only to prevent but also to
control probable monopolistic procedures and practices of L. I. C. Besides, while
encouraging the competition within the Indian economy, it has, surely, served the best
interest of the Indian life insurance beneficiary. Such a kind of bold step on the part of the
central government would, also, definitely, lead to check and control various restrictive and
unfair life insurance trade practices, prevailing, at present, at the hands of a few unscrupulous life insurance advisors.

2.2 Objectives and Hypothesis of the Research Study –

2.2(a) Objectives of the Research Study -

2.2(a)(i) Objective no. I –

To ascertain the relevance and significance of laws associated with life insurance in the light of promotion of life insurance business in India -

The L. I. C. A., 1956, is one of the main acts governing the business of life insurance, in India. The other laws associated with the business of life insurance, came into force, more or less, around the same time. Undoubtedly, all such laws, were amended from time to time, however, the fundamental provisions related to, connected with or concerned with the business of life insurance are the same which were framed prior to or around the calendar year 1938. Therefore, indeed, it becomes quite imperative, as on toady, to ascertain not only the relevance but also the significance of all the existing laws associated with the business of life insurance, especially, in the light of promotion of business of life insurance in India. In case, they are not found relevant, therefore, consequently, insignificant, as on today, undoubtedly, substantial legal amendments are essential.

Furthermore, this objective is required to be studied with special reference to three more vital aspects associated with the business of life insurance, namely, consumer benefits, consumer service and effective enforcement of laws.

These aspects are discussed below, one by one.

![Diagram](Fig. No. 4)
a. Consumer benefits –

No doubt, the laws associated with the business of life insurance are framed in the light of provision of different benefits to the consumers. However, various multinational life insurance companies which have stepped in the business of life insurance, especially, after October -2000 are attempting their best to confer better benefits to the consumers, over and above those benefits which have been given, traditionally, by the life insurance companies.

In other words, such companies are trying to go a step ahead of their competitors, particularly, the leading competitor –L. I. C. and they are, also, trying to provide relatively better services to their consumers in an honest attempt to keep them ‘delighted’ by meeting their several genuine and legitimate demands and varying preferences. Therefore, at this stage, it is, indeed, imperative for the top management of L. I. C. to undertake a comparative study of different benefits provided to the consumers by other leading multinational competitors and try to provide more, better and augmented benefits to their consumers, in order not only to combat but also to lead the competitors.

It is needless, further, to state that such benefits are needed to be studied, particularly, in respect of almost all those products (policies) of life insurance; those are conferring common benefits on the consumers. Of course, the benefits provided to the consumers in respect of unique policies of L. I. C., must necessarily and strictly be maintained, appropriately, not only for the short run but also for the long run. Besides, augmented benefits may be provided to the consumers, preferably at par with competitively leading life insurance companies. Naturally and normally, these benefits, referred to, differ drastically from one life insurance Company to another. Thereafter, specific decisive points of prevailing unique differences in different benefits proposed to be provided to the consumers should be properly emphasized through impressive and effective communication.

“It is no longer enough to satisfy a customer, we must delight them.”

Thus, after a careful and specially a comparative study of all the benefits provided to the consumers through different policies of L. I. C., it must necessarily and critically be checked whether or not these benefits are delighting the consumers.
b. Consumer service –

The employees of the L. I. C. were comfortably habituated to work in a protected (secured) environment, till the year 1999, when there was no competition to their business, absolutely. However, with the emergence of intense competition, they have certainly realized a real need to alter their existing approach and casual attitude to work. The middle-aged and very senior employees have found to change themselves as relatively difficult, whereas, the young employees have responded to the need of the hour quite quickly, sensitively and responsibly.

There is a change, no doubt, observed, in the style and the way of dealing as well as behaving with the existing policy holders, by the employees of the L. I. C., of late, but, a lot of scope still exists for high level improvisation in the existing style and the way of provision of service to the existing policy holders. In short, there must necessarily be inculcated by the employees of L. I. C. high level of professionalism and empathetical attitude while rendering services to its policy holders.

c. Effective enforcement of laws –

As the fundamental principle of law guides the spirit of the law, not mere documentary dictates or its written contents should be considered, while enforcing different laws associated with life insurance business. For that purpose, the specific law should be interpreted correctly and properly, preferably, in the best interest of the consumers. A consumer of an ordinary prudence and average level of intelligence is not expected to have deep and mature sense of legal knowledge. As a result, the possibility of innocent and ignorant commission of a few minor legal errors may not be denied. Under such crucial and critical circumstances, the benefit of doubt must, necessarily, be given to the consumer. The law should not be imposed on him only, on the basis of strict technical legal grounds.

2.2(a)(ii) Objective No. II –

To study the laws affecting customer relationship management -

There are various laws, related to the marketing of life insurance, which affect the relationships, either favorably or adversely, of the consumers with the advisors of L. I. C. As a matter of fact, the legislation or the parliament was, certainly, not interested in framing any law or statute in the light of harmonious management of relations. On the other hand, a
law or a statute on a material point may be referred to, only after the parties to a relation find it difficult to maintain harmonious relations.
Likewise, whenever a judgment is delivered, it obtains the status or the force of law – in the form of precedent law. The Hon. Judges may not consider Customer Relationship Management concept, prior to delivering their judgments, although the judgments may be experienced as sound and well balanced. Also, customary law emanates from the society in general or a specific community in particular, on the basis of usage or prevalent practices or traditions and cultural values of a peculiar human locality. Of late, few Indian traditions have turned to be the prime causes of disputes, for example, distribution of property of a Hindu Undivided Family, devolution of joint or common rights, etc., among different communities and tribes in India. Strong resistance for following the customary and traditional values has been noticed. At the same time, it is true that some traditions have become outdated and that is why they are not needed. In other words, precedent law and customary law are acting as an obstacle for maintenance of harmonious relationships.

Moreover, at the time of framing of different statutes or laws, different core concepts of C. R. M. were beyond theoretical scope, practical purview and candid contemplation, because the core concepts of C. R. M., in themselves, were not well-developed and recognized at that time.

There is no attempt to suggest that had there been sound consideration and adequate recognition of the core concepts of C. R. M. at the time of framing of different statutes or laws, these might have been framed differently. In fact, no provision of any law or any statute can satisfy, forget delight, all the concerned, simultaneously, because no law is perfect, always. It may be applied and interpreted appropriately; in such a manner that it may lead to satisfaction to both the parties, in a particular case, however, the same may not be true in all the other cases, although the questions of laws involved may be identical or similar, because the concept of satisfaction, in itself, is highly personal and relative. Thus, either of a party to a dispute may be benefited with a specific provision of the law or a statute, and at the same time, another party may be totally dissatisfied.

However, all the provisions of the laws and the statutes should be framed in such a manner, as far as possible, that there should be no scope for any ambiguity or paucity. This,
generally, results only when all the probable eventualities are deeply evaluated while framing the law or the statute.
Therefore, different provisions of the laws or statutes inherently possess a potential threat to affect the customer relationships, quite adversely. As a result, these are needed to be studied in the light of C. R. M.

Sometimes, it is observed that neither the insurer nor the insured like or intend to abide by a few cumbersome and rigid provisions of laws associated with the business transactions of life insurance. However, they both find themselves helpless. Therefore, there exists a practical need to study the laws and suggest amendments in the existing legal framework associated with the business and marketing of life insurance. Some additional changes would be suggested to improve the management of customer relationships, in the business of life insurance. These suggestions would reduce the causes of consumer disputes, whereby the social level of acceptance of life insurance concept may rise and ultimately, lead to promote the business of life insurance in India.

**Paradigm Shift in insurance marketing** -

The foregoing narration suggests that in order to improve C. R. M., traditional life insurance practices need to be checked, changed and controlled, well in time. For that purpose, it is necessary to realize the paradigm shift in insurance marketing.

A paradigm shift, as used by ‘Thomas Kuhn’, occurs when a field’s practitioners are not satisfied with the field’s explanatory variables or breadth. He observes that we are witnessing today a movement away from a focus on exchange – in the narrow sense of transaction – and toward a focus on building value-laden relationships and marketing networks, we start thinking mostly about how to hold on to our existing customers, our thinking therefore is moving from a marketing mix focus to a relationship focus.

Also, as per the view of ‘Frederick Webster’, there has been a shift from a transaction to a relationship focus with an emphasis on long term customer relationships with the formation and management of strategic alliances.

The change in the fundamental approach to life insurance marketing could be looked upon from the following three focal points, viz., focus on customer driven life insurance marketing practices, profitability and strategic life insurance marketing practices.
The focus on strategic life insurance marketing practices includes the following three ingredients, viz., life insurance market segmentation, market targeting and market positioning. These all ingredients deserve special emphasis, attention and treatment because they are at the heart of the life insurance marketing strategy.

**Application of relationship marketing to life insurance -**

The concept of ‘Relationship Marketing’ has actually emerged within the spheres of Industrial Marketing and Services Marketing. Subsequently, it was applied almost in all the spheres, especially, of marketing; life insurance marketing is no exception.

“Relationship marketing is an integrated effort to identify, maintain and build up a network with individual consumers and to continuously strengthen the network for mutual benefit of both sides through interactive, individualized and value added contacts over a long period of time.”  

“Relationship marketing means to establish; maintain and enhance the relationships with the customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange of fulfillment of promises.”

“Relationship Marketing is the attraction, maintaining and ….in multi-service organization …. enhancing customer relationships. The Marketing mind set is that the attraction of new customers is merely the first step in marketing process.”

The kinds of relationships, as referred to, over here, are usually but, not necessarily long-term in their practical nature. While applying the concept of relationship marketing to the domain of life insurance, broadly, the life insurance advisors must necessarily focus on the long term relationships with the consumers, understanding the uniqueness of an individual consumer and a detail analysis of the value of an individual consumer.

Business firms, like life insurance companies, would adopt the concept of relationship marketing only if it would possess ample and practical potential to benefit them. These benefits are quite obvious and they are two fold, viz., lower costs of customer retention and increased profits, in-turn due to relatively lower rates of customer defection.

When the customers voluntarily enter into a long-term relationship with a specific insurance company by availing a peculiar life insurance policy, they forego the other readily available company alternatives by restricting their choice to a specific insurance company.
Some of the personal motivations to act likewise result from some prominent factors related to life insurance like greater efficiency in decision making, less time for information processing, achievement of cognitive consistency in decisions and reduction of perceived risks for future decisions.

‘Berry’ has recommended some strategies for practicing the concept of relationship marketing in service organizations, viz., development of a core service around which to build a customer relationship, customization of the relationship with an individual customer, augmentation of the core service with an added or extra benefit, appropriate pricing of services in order to encourage customer loyalty, marketing to employees so that they would perform well for the customers i.e., implementing internal marketing. The same strategies can be applied to life insurance companies also.

Relationship marketing undoubtedly does possess an ample potential to transform the precious principles and valuable practices of the life insurance company, it cares, values and advocates for, into a reality, quite radically and rationally. It also involves quite actively, a continuous or an uninterrupted mechanism of identification and creation of a novel value, into insurance product and service, from the contemplation of every individual consumer, both, ‘would be’ and existing, thereafter, sharing the benefits, thus obtained, over a lifetime of association. It involves, quite actively, proper understanding, appropriate focus and efficient and effective management of continuous collaboration between the life insurance company and the consumer for mutual value creation and sharing through interdependence and institutional alignment.

A wise, practical and a prudent life insurance advisor must necessarily realize that the needs and wants of all the consumers are never alike or similar. The practical significance of understanding the requirements of an individual consumer is of so utmost essence that the life insurance advisors honestly adopt creative means and innovative ways to get closer to the consumer. The objective of this exercise is to listen to, quite covertly, ‘inner voice of the consumer’, which can certainly not be heard, quite overtly.

Among the peculiar combating competitive features the best most commonly identified features among almost all the insurance companies are treating the consumers highly respectfully and differently, decision making based on factual information, not on intuition or perception, focus on the consumer, proper and built-in service flexibility.
2.2(a)(iii) Objective No. III –

To develop a new legal framework for marketing of life insurance in India –

In order to promote the business of life insurance in India, against stiff competition, unlike past, it is necessary to suggest certain changes in the existing legal framework. This framework is expected to overcome the shortcomings in the existing legal framework. Wherever it is found necessary, the laws or the statutes are required to be amended, with immediate effect. A novel legal framework incorporating all need based legal changes should be developed in order to improve C. R. M. in marketing of business of life insurance. These suggestions are expected to reduce the causes of consumer disputes, whereby the social level of acceptance of life insurance concept may rise and ultimately, lead to promote the business of life insurance in India.

2.2(b) Hypothesis of the Research Study -

2.2(b)(i) Hypothesis no. I –

Inadequacies and irrelevancies of laws associated with life insurance are exhibited through consumer dissatisfaction and discontent.

2.2(b)(ii) Hypothesis no. II –

The majority of consumers are not aware about the legal aspects regarding life insurance policies at the time of taking a policy.

2.3 Research Methodology and Sampling Plan –

2.3(a) Research Methodology –

In order to achieve the above mentioned objectives, the following research methodology was adopted.

1. Review of literature for understanding different concepts of insurance, life insurance and its legal aspects through various text books, reference books, articles, research articles, journals, magazines, newspapers, annual insurance reports, legal digests and websites of various insurance companies related to and relevant to insurance and life insurance was undertaken, the details of which are given in the annexure, of the thesis.
2. For conducting first field survey the questionnaire with five different sections, as follows, was formulated, viz., Personal particulars, Technical particulars, legal aspects, Consumer satisfaction and Future trends. The purpose of designing of a questionnaire was to collect primary data on different personal as well as technical aspects of life insurance like distribution of respondents according to age in years, occupation, gender, income, level of education, initiating the task of availing of life insurance policy, object for taking a life insurance policy, installment of a premium of life insurance, experience while filling the form of life insurance policy, guidance obtained from the insurance advisor while filling the form of life insurance policy, etc.

3. Hypothesis was formulated on the basis of review of literature (study of case precedents), social experiences and observations, outcome of discussions with eminent personalities, insurance experts, insurance advisors, practicing advocates in the field of insurance, etc., the details of which are given in the annexure of the thesis.

4. First field survey of individual respondents possessing varying features was conducted in order to collect primary data.

5. Consolidated research findings were arrived at on the basis of data interpretation.

6. Hypotheses were tested before fulfillment of research objectives.

7. Suggestions were given for improvisation of legal and social scenario for life insurance marketing and development of a new legal framework.

8. Second field survey was conducted consisting of six different categories viz., insurance practicing advocates, insurance advisors, development officers, administrative staff, top management executives in order to test suitability and practical utility of research conclusions based on research findings and suggestions.

2.3(b) Sampling Plan –

The following is the sampling plan for the field surveys.

2.3(b) (i) Sampling plan for the first field survey –

(I) Population - L. I. C. consumers in India.

(II) The sample - L. I. C. consumer

(III) The sample size - 112 respondents from all over India.
2.3(b) (ii) **Sampling Plan for second field survey –**

The sample consisted of the following six different categories.

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Category</th>
<th>Population</th>
<th>The Sample</th>
<th>The Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Consumers</td>
<td>L. I. C. consumers in ‘Pune’</td>
<td>L. I. C. consumer</td>
<td>100</td>
</tr>
<tr>
<td>2</td>
<td>Practicing Advocates</td>
<td>Practicing advocates in ‘Pune’</td>
<td>Practicing advocate</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Insurance Advisors</td>
<td>Insurance advisors in ‘Pune’</td>
<td>Insurance advisor</td>
<td>25</td>
</tr>
<tr>
<td>4</td>
<td>Development Officers</td>
<td>Deve. Officers in ‘Pune’</td>
<td>Deve. officer</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>Admin. Staff</td>
<td>Admin. staff in ‘Pune’</td>
<td>Admin. Staff</td>
<td>05</td>
</tr>
<tr>
<td>6</td>
<td>Top Management Executives</td>
<td>Top Mgt. Executive in ‘Pune’</td>
<td>Top Mgt. Executive</td>
<td>07</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total:- 162</strong></td>
</tr>
</tbody>
</table>

2.3(b)(iii) **Sampling Methodology for both the field surveys -**

Non Probability – stratified (demographic) methodology resulting into purposive and convenience sampling

2.3(b)(iv) **Types and sources of Data**

(a) Secondary data in the form of various case precedents collected from different legal digest and books.

(b) Primary data collected through two field surveys as mentioned above.

2.3(b)(v) **Data Collection Methodologies for both the field surveys -**

Data collection methodology adopted for both the field surveys was personal interviews with concerned respondents with a structured non-disguised questionnaire.

2.3(b)(vi) **Types of questions designed for both the field surveys -**

The types of several questions designed for both the field surveys were both open ended as well as closed ended.
2.3(b)(vii) Questionnaire Structure for field Surveys -

During the course of the research, two field surveys, at different stages, were conducted. The following is the questionnaire structure for both these surveys.

Questionnaire structure for the first field Survey –

The questionnaire for the first field survey was designed after taking into account various legal aspects of marketing of life insurance, adopted by life insurance companies. These aspects were an innovative and creative emerge of review of literature (case precedents), social experiences and observations, outcome of discussions with the eminent personalities, insurance experts, insurance advisors, insurance practicing advocates, etc.,

The questionnaire was designed after keeping specific focus on research objectives and hypothesis. It was divided into five different sections in order to make it well structured, very simple and crystal clear for the respondent. Several significant current issues and specific problems, relevant to research objectives and hypothesis as well as those related to legal aspects of marketing of life insurance were covered at depth.

Furthermore, while designing a questionnaire great precaution and sufficient care was taken, always, to adopt empathetical attitude. Also, while framing different questions, lucid and simple language was utilized after consultation with the subject experts. The respondents having average intelligent quotient were expected to understand different technical questions, related to complicated insurance legal aspects, quite clearly, thereafter, interpret them properly and subsequently, reply them correctly. Moreover, some statistical experts, too, were consulted while framing various questions, specially, to ensure that the focus on research objectives and hypothesis was maintained, all through the questionnaire. This also facilitated comfortable quantitative data collection and its easy amenability at the time of its deep analysis.

Questionnaire structure for the second field Survey –

The second field survey was conducted after arriving at research conclusions. In fact, it was conducted to test practical utility or applicability of research conclusions which were based on research findings and suggestions. The questionnaire was designed after taking into account various classes affected, either favorably or unfavorably, after incorporation of proposed changes in the existing life insurance legal framework. Several ideas regarding
proposed changes were an innovative and creative emerge of different discussions with the eminent personalities in the insurance field.

The questionnaire is designed after keeping specific focus on research suggestions. It was administered to six different classes. In order to get varying and representative views of each class, deliberately different questionnaire was prepared for each class. Moreover, all the questionnaires were honestly attempted to be properly structured after taking into consideration the interest, attitude and the nature and the consequence of affection, of each class. Several significant current issues and specific problems, relevant to research suggestions were covered in great details.

Besides, while designing a questionnaire great precaution and adequate care was taken, always, to highlight and focus on special interest of each class. This exercise, also, made all the questionnaires quite interesting and curiosity arousing.

While framing different questions, lucid and simple language was utilized after consultation with the statistical experts, specially, to ensure that the focus on research suggestions is maintained, all through the questionnaire. This also facilitated comfortable quantitative data collection and its easy amenability at the time of its analysis.

References: