Chapter 6

CONCLUSION

The entry of private sector insurance companies triggered off a series of changes in the Indian economy. It is evident from the study that the ICICI Prudential dominates the insurance industry. In today’s competitive world, customer satisfaction has become an important aspect to retain the customers, not only to grow but also to serve. Increased competition, wide range of product offerings and multiple distribution channels cause companies to value satisfied and highly profitable customers. Customer service is the critical success factor in a company and providing top notch customer service differentiates great customer service from indifferent customer service. In the fast paced environment that surrounds industries today, companies find themselves faced with the pressure to discover foolproof ways to manage their businesses. Insurance industry is no exception and is undergoing revolutionary changes. Competition has been central to the agenda of companies and it has become one of the enduring themes of our time. The insurance industry today is experiencing intense competition and the major players, including HDFC, Birla Sun Life insurance have come under pressure. In lieu of this, retaining a customer is cheaper than finding a new customer. Insurance services should focus on assurance and empathy to further strengthen the level of satisfaction. These insurance services have to concentrate on retaining existing customers, which could offer huge business potential. Time based competition, quality, product range, timely advertisement, follow up, prompt and error free service are the key ingredients for the better service and it will boost up the sales.

Trying to sustain their survival and viability, today, governments apply the policies of downsizing government in various ways which may lead to greater activity of private sector in the society. One of the key requirements in the development and profitability of both private and public organizations and companies is to pay full attention to customer and draw his attention and it is also assumed that one way to obtain customer satisfaction is to use the quality approach. Evaluating the quality of provided services is one of the most important instruments used to identify the existing condition of the services and then use this condition to improve and promote the quality of services.
Recognizing and reinforcing these factors in the insurance companies not only maintain the current insured but also attract new insured. Therefore, the insured as the customers are thought to possess indescribable importance since the philosophy of an insurance company is to provide service and sell insurance to the insured and satisfy their needs.

Service quality has been conceptualized as an overall assessment of service by the customers. It is a key decision criterion in service evaluation by the customers. Perceived service quality is believed to be resulting from comparison between customers’ prior expectations about the service and their perceptions after actual experience. Besides service outcomes, service quality perceptions also involve evaluation of the service delivery process. Hence, conceptualization of service quality ought to include both the process as well as the service outcomes. A firms' ability to serve the customer needs as well as to maintain its competitive advantage also affects the customer perception of service quality.

**Benefits of Service Quality**

1. **Retaining Customers:** It helps in retaining commercially important customers.
2. **Referrals:** Satisfied customers are happy to generate positive word of mouth.
3. **Avoidance of “Price” Competition:** If your organization is seen by customers as the same as others, then your product/service is essentially undifferentiated or like a commodity. Differentiation is a strategy upon which the effectively compete. Price Strategy is another way to compete however this may not always be possible or desirable. Attaining service quality allows competition based on differentiation strategy.
4. **Retention of Good Employees:** Employees like to work for a “quality organization”.
5. **Reduction of Costs:** When quality is achieved, costs of correcting problems (after they have occurred) are reduced. Since a focus on quality stresses preventative maintenance, then these costs are reduced such as lowing employee turnover and the cost of having to motivate uninspired employees.

Quality cannot just be defined in relation to some abstract concept of excellence, but should be seen in relation to demands of the user of the final product. Companies are constantly encouraged to develop an innovative service quality. Schlesinger and Heskett (1991) for example argue that organizations should abandon the industrial
techniques used in supermarkets, fast food restaurants and airports and adopt a “new model” of service based around customer’s requirements.

As it is evident from the data on Indian insurance sector after 1999 many private players have entered in the Indian insurance market and competition has further intensified. The findings of the present study will act as input for the insurance companies in Indian market to frame marketing strategies based on socio-demographic and economic variables. The insurance companies should focus their marketing communications on the young generation of India, because it is evident from the present study that young people in Indian are not embracing insurance services. The insurance companies should incorporate such marketing activities which make people aware about the benefits of the insurance services and also develop interest about insurance business among them. It is recommended for the insurance service providers that in Indian market that they need to prepare customized solutions to different consumers in the market as per their needs and requirements. As the present study was focused only to probe into the attitudes of Indian consumers towards insurance services by using basic socio demographic and economic variables. Further studies can be made in Indian context to measure the effectiveness of marketing strategies adopted by the insurance companies to take advantage of the opportunities offered by the findings of the present study about basic socio demographic and economic variables.

The life insurance density of India was 9.1 percent in the year 2000-01 when the private sector was opened up. It increased to 52.2 percent in 2009-10. India’s life insurance density is very low as compared to the developed countries and developing countries, in spite of India being the second most populous country in the world. This shows that there is much scope for life insurance sector to develop in India.

The life insurance penetration of India was 2.15 percent in the year 2000-01 when the Private sector was opened up. It increased to 4.90 percent in 2009-10. Since opening Up of Indian Insurance sector for private participation; India has reported an increase in both life insurance density and penetration. But compared to UK, France, South Korea, Japan and South Africa, India is way behind. Among developing countries it stands second to South Africa. There is much scope for the life insurance sector to develop in India.
The prediction of new business and total premium for both private and public sector life insurance companies in India for the year 2015 also shows an upward trend which signifies that there is a lot of scope for life insurance business in India.

For over a century, the United States has been the largest economy in the world but major developments have taken place in the world economy since then, leading to the shift of focus from the US and the rich countries of Europe to the two Asian giants India and China. Economic experts and various studies conducted across the globe envisage India and China to rule the world in the 21st century. India, which is now the fourth largest economy in terms of purchasing power parity, may overtake Japan and become third major economic power within 10 years. Life insurance will grow very rapidly over the next decades in India. The major drivers include sound economic fundamentals, a rising middle-income class, an improving regulatory framework and rising risk awareness.

**LIC’s Challenges**

India opened its insurance market to the private sector in 1999 when Parliament passed a new law establishing an independent regulatory body to oversee the insurance market. The law opened the door for participation of private insurance companies and a limited participation of foreign insurance companies through joint ventures with Indian companies. Since then, the life insurance markets have grown impressively. Since 1999, IRDA has licensed 22 new private Indian insurance companies, who have global insurance companies as their partners. Due to globalization of financial services and liberalization of economy, the Life Insurance Corporation of India has been facing intense competition from the new entrants. The new private players with their aggressive penetration strategies are creating insurance consciousness in the minds of a wide cross-section of customers.

The twenty two private insurers in the life insurance market have already grabbed nearly 30 percent of the market in terms of premium income. The new business premium of the twenty two private players was 34.92 percent in 2009-10. Meanwhile, LIC's new premium business has fallen from 99.93% in 2000-01 to 65.08% in 2009-10. Unless Life Insurance Corporation of India is alive to the emerging trends, its performance may decline further. Hence, Life Insurance Corporation of India has to
work with renewed vigour and enthusiasm so as to retain and improve its market share. In this regard, Life Insurance Corporation of India has to focus on key result areas such as improving the productivity of agents; marketing high sum assured policies and also the introduction of customer friendly plans or products. Also Life Insurance Corporation of India has to focus on unit linked plans, which are fast becoming popular in the current life insurance market. The financial performance of Life Insurance Corporation of India is better than

Private life insurance companies in India. In a business driven by competition, the high rising costs is due to huge commission expenses by private life insurance companies. Most of the private life insurance companies are making losses. It is necessary for them to cut their operating costs. Also private life insurance companies have to improve their actuarial efficiency, liquidity position and long term solvency position.

**Customer Education**

Insurance is a unique service industry. The key industry drivers are related to life style issues in terms of perceiving insurance as a savings instrument rather than for risk cover, need based selling, quality of service and customer awareness. In the present competitive scenario, a key differentiator is the professional customer service in terms of quality of advice on product choice along with policy servicing.

**Product Innovation**

Innovative products, smart marketing and aggressive distribution-That's the triple whammy combination that has enabled fledgling private insurance companies to sign up Indian customers faster than anyone ever expected. Indians, who have always seen life insurance as a tax saving device, are now suddenly turning to the private sector and snapping up the new innovative products on offer. The private companies are coming out with better products which are more beneficial to the customer. Among such products are the Unit Linked Investment Plans which offer both life cover as well as scope for savings or investment options as the customer desires.

The growing popularity of the private insurers shows in other ways too. Life Insurance Corporation of India is still dominating segments like endowments and money back policies which are traditional plans. But in the annuity or pension products business, the
private insurers have already wrested over 30 percent of the market. While in the popular unit-linked insurance schemes they have a virtual monopoly, with over 90 percent of the customers. The private insurers also seem to be scoring big in other ways. They are persuading people to take out bigger policies.

**Distribution Network**

While companies have been successful in product innovation, most of them are still grappling with right mix of Distribution Channels for capturing maximum market share to build brand equity, building strong and effective customer relationship and cost effective customer service. In India Insurance is sold and not bought. The agents / Advisors by using various strategies sell the product by convincing the customers. Moreover, they push policies with the highest premium to pocket a higher commission. The consultative approach to selling is the modern approach, which helps customers and prospects to buy. While the traditional channel of tied up advisors or agents would be the chief distribution channel, insurer should innovate and find new methods of delivering the products to customers. Corporate agency, brokerage, Banc assurance, e-insurance, co-operative societies and Panchayats are some of the channels, which can be tapped by the insurers to reach the appropriate market segments. Now days, the urban masses are tapped with the new techniques provided by Information Technology through internet. Rural masses should be attracted by the consultative approach adopted by the Insurers.

New private insurers have used innovative distribution channels to reach a broader range of the population. Private insurance companies are also using banks, microfinance institutions and co-operatives to increase their market share and compete with well-entrenched state-owned insurance company.

There is huge potential in the largely undeveloped private pension market. Insurers have to develop new products addressing the new challenges in society. Companies will need to constantly innovate in terms of product development to meet ever-changing consumer needs. Understanding the customer better will enable Insurance companies to design appropriate products, determine price correctly and to increase profitability. Since a single policy cannot meet all the insurance objectives, one should have a portfolio of policies covering all the needs. Product development is made
possible by integrating actuarial, rating, and claims. Moreover, with increased commoditization of insurance products, brand building is going to play a vital role. The rural sector has potential for life insurance. To realize this potential, designing suitable products is important. Insurers will need to pay special attention to the characteristics of the rural labour force, like the prevalence of irregular income streams and preference for simple products.

Legislation now allows insurance carriers and other financial institutions, such as banks and securities firms, to sell each other’s products. More insurance carriers now sell financial products such as securities, mutual funds and various retirement plans. This helps access each other’s client base and geographical markets.

In a developing country like India where the disposable income in the hands of prospects is low, the pricing decision also governs the transformation of potential policyholders into actual policyholders. The strategies may be high or low pricing keeping in view the level or standard of customers or the policyholders. The pricing in life insurance is in the form of premium rates. The three main factors used for determining the premium rates under a life insurance plan are mortality, expense and interest. The premium rates are revised if there are any significant changes in any of these factors.

**Mortality** (deaths in a particular area): When deciding upon the pricing strategy the average rate of mortality is one of the main. The cost of processing, commission to agents, reinsurance companies as well as registration are all incorporated into the cost of instalments and premium sum and forms the integral part of the pricing strategy.

**Interest**: The rate of interest is one of the major factors which determine people’s willingness to invest in Life Insurance. People would not be willing to put their funds to invest in Life Insurance business if the interest rates provided by the banks or other financial instruments are much greater than the perceived returns from the insurance premiums.

Pricing objectives: The pricing of services is greatly influenced by the basic service characteristics. However in setting price objectives several factors in relation to the overall marketing strategy of the corporation should be considered Planned market position for the service product: Gitlow suggested that price not only influences the
market position but also affect the customers perceptual positioning. It is therefore important to keep market or customer position.

Product life cycle: the stage of life cycle of the life insurance product is of utmost importance. Also you have to consider the elasticity of demand i.e. whether the demand is sensitive to the change in price or not.

Competition: competition should be studied both from the point of inter-brand and also from the viewpoint of the brand that provides the same need satisfaction. For e.g. LIC is facing competition from other private players but also from the railways faster trains on the same routes during convenient timings.

Strategic role of pricing: Lastly it is important to understand the strategic role of pricing in your overall marketing strategy.

**Information Technology**

Private Insurance companies have discovered that the Internet is a powerful tool for reaching potential and existing customers. Most carriers use the Internet simply to post company information, such as sales brochures and product information, financial statements, and a list of local agents. New technology gives the policyholders / insured better, wider and faster access to products and services. The impact of Information Technology in Insurance business is being felt at an accelerating pace. In the initial years IT was used more to execute back office functions like maintenance of accounts, reconciling broker accounts, client processing etc. With the advent of “database concepts”, these functions are better integrated in an administrative efficiency.

The real evolution has however emerged out of Internet boom. Internet has provided brand new distribution channels to the Insurers. Technology has enabled the Insurer for innovating new products; provide better customer service and deeper and wider insurance coverage to them. Insurance companies should give customers a distinct claim id to track claims on-line, entertaining on-line enrolment, eligibility review, financial reporting, billing and electronic fund transfer to benefit clan customers.
**Impersonal Communication**

Advertising and Publicity, organisation of conferences and seminars, incentive to policyholders are. Arranging Kirtans, exhibitions, participation in fairs and festivals, rural wall paintings and publicity drive through the mobile publicity van units would be effective in creating the impulse buying and the rural prospects would be easily transformed into actual policyholders. Here is a life insurance promotion through ICICI PRU husband to help him fulfil all these promises. The TV campaign has also been extended to outdoor.

The company has also undertaken press and internet campaigns to inform customers about benefits of some of its products, particularly retirement solutions, through the Chintamani campaign."After the hugely successful Chintamani (retirement) and SaatPhere (corporate) campaigns, ICICI Prudential Life Insurance also introduced some innovations in the category, such as: having a tax planner by the name of Chintamani on radio, who would answer consumer's queries about the role of insurance in financial planning. In addition to advertising, the company has also initiated several activities to raise consumer awareness about life insurance and ICICI Prudential.

**Quality Service**

In the global era, Insurance companies are increasingly willing to spend more on the customer satisfaction and brand building exercises. Though it is one of the highly regulated industries, it still provides lot of scope for creativity and innovations. As this industry is predominantly dominated by personal selling and personalized services, many a time the service standards vary based on the intermediary involved in the process. In order to achieve the competitive edge over others, it is necessary to standardize the process and bring about quality improvement and get feedback from the customers regarding the quality of services rendered. This will result in customer satisfaction, customer retention, customer acquisition, and employee retention and cost reduction. Servicing focuses on enhancing the customer’s experience and maximizing his convenience. This calls for effective Customer Relationship Management system, which eventually creates sustainable competitive advantage and enables to build long lasting relationship.
New Trends in Life Insurance Business

Today's market is rapidly-changing world; the term life insurance market is on the move. Learn about what kinds of new and innovative products life insurance companies are offering today. Like other industries, the term life insurance industry is constantly finding new ways to meet consumers' needs. While there are still the basic sorts of term life insurance offerings out there on the market, many life insurance companies are becoming more and more innovative as they struggle to create exactly what customers want to see. This has led to a number of new and interesting trends in the life insurance marketplace, many of which may appeal to you. From new options for payouts to things like combined insurance, life insurance companies have plenty of interesting choices for you to consider. Take, for example, payout options. As we know, one of the sources of revenue for a life insurance company is the interest that they make on accumulated funds. The longer the life insurance company holds onto its premiums, the more money it makes. If the life insurance company can hold onto a portion of those funds of period of time, it will not only increase the company's profits but it may be able to increase your policy's benefits.

Instead of paying out your life insurance policy as a single lump sum, for example, it may offer death benefits as an annuity. This annuity will pay out the death benefit over time. In the long run, your beneficiaries will receive a larger payment than if they were to take it all at once of course, traditional one-time lump sum payments are still an option. Many customers still want their policy to pay the full benefit on their death. They don't see their life insurance policy as an investment for their beneficiaries, but rather as a safety net should anything happen to them. Another rising trend in the term life insurance industry is that more and more companies are finding ways to offer products to older customers. As life expectancy increases, the older population becomes more and more of a potential market. It also becomes much more feasible to offer term life insurance products to older customers. While it may not have made much financial sense for a term life insurance company to offer products to someone over the age of 60 just a few decades ago, today it is much more likely that the individual will live into their 80s and beyond.

Many term life insurance companies are now bundling their products with other insurance products, too. For example, some companies offer private medical insurance,
long-term care insurance as well as term life insurance. By combining products in this way, the company can create a synergy that increases their bottom line but also the customer's security and well-being.

**Insurance Companies in the Present Global Scenario**

The most important aspect for any financial services institution dealing with today's regulatory framework is the need to build an integration, risk, compliance and regulatory environment. The globalization of business, the proliferation of, and dependency on, technology, and the preservation of a trusted and secure environment to facilitate financial institutions, all require financial services organizations to have in placed the mechanisms to ensure sound and reliable security and privacy. The industry's landscape is continuously changing and increasing in complexity across financial services, causing firms to face a diverse array of challenges and concerns. Role of Private sector has grown rapidly in the service industry, especially with reference to Insurance management.

The insurance industry, as an integral part of the financial services industry does not stand apart from the profound changes in the financial sector. Recently we are witnessing an enhanced competition in the insurance industry probably due to the opening up of this sector to private participants. There is a close inter-action between insurance and economic growth. As economy grows, the living standards of people increase. As a consequence, demand for insurance increases. As the assets of people and of business enterprises increase in the growth process, the demand for general insurance also increases. In fact, with the widening of the economy, the demand for new types of insurance products emerges. Insurance now extends not only to product market but also to service industries including finance. It is equally true that growth itself is facilitated by insurance. The global consolidation of the financial services sector is in large part driven by acquisition activity. Companies competing for a greater share of consumer funds are seeking quick access to new markets, new products and new channels of distribution, both domestically and economically.

Grounded in a deep understanding of the issue, we have tried to deal with today's life insurance and financial services environment in a very lucid manner covering all the aspects such as productivity, management of processes, growth drivers, and critical
factors for success and policy implications Indian insurance companies may be started by domestic entities in joint venture with foreign entities, with the latter holding a maximum of 26 per cent of the equity.

According to the latest data, in life and non-life insurance, the new entities have already managed to garner more than 20 per cent of the new business premium. In banking, foreign banks in India now have a share of only around 7 per cent of total banking assets.

Recently, the RBI released an ambitious road map for increasing the presence of foreign banks in India. As per the guidelines, the aggregate foreign investment from all sources will be allowed up to a maximum of 74 per cent of the paid up capital of the private bank.

**Future Research**

Despite their attention that the literature has given to the application in the wider financial services sector, the implementation aspect and problems associated with it have been identified as key areas for future research (Speed and Smith, 1992). In order areas of marketing literature, similar concerns have been expressed, especially with the apparent prevalence of implement problems. Brown et al. (1989) identify missed opportunities resulting from unsystematic and inappropriate grouping of customers, a concerned that has been echoed by other scholars. Although these concerns originate in different part of the literature, the links with issues raised by Speed and Smith (1992) seem almost uncanny. Concern has been expressed about the degree to which many managers understand and implement the segmentation concept. When taken as a whole, the literature seems to indicate that there may be a number of barriers that inhibit the successful implementation of the market segmentation process. For example, existing distribution systems, unorganized structure and existing relationship with intermediaries may make modified or new segmentation approaches difficult to implement.

Further research could still be taken in identifying the barriers which may affect the implementation of market segmentation and to consider how these may vary for different insurance organization.