CHAPTER 7

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 Findings

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7.1 FINDINGS:

SUMMARY OF FINDINGS

The findings of the study are presented according to the objectives as follows:

A. Findings addressing Objective number 1:

(I) Analysis of the existing market segments of the life insurance companies in Barak Valley

1. It is found that Life Insurance Corporation of India (LICI) has highest number of sub-segments (22) and highest number of products (66). All the segments, sub-segments and products have contributed to the business volume of LICI. 20% and 17% of the total premium are contributed by pension and unit linked endowment plans. However, in terms of number of policies, rural social security plans have contributed highest which is 3938 number of policies during the same period. Micro insurance sub-segment under special plans segment and group plan sub-segment under group scheme segment has also contributed significant number of policies during the same period which is 1691 and 2176 respectively. This shows the impact of higher number of segments and products on volume of business of life insurance companies.

2. ICICI Prudential, with 7 segments, 10 sub-segments and 31 products is second in terms of number of policies (3310) during the same period. Though it has less number of products than some other life insurance companies but, higher number of segments and sub-segments has played role in understanding the needs of customers categorizing them and providing them the required product which is reflected from their market penetration.
Pension segment has contributed 50% of its first premium policies but, all the other segments namely, term, wealth, child, health, group and rural have contributed significantly to its sales volume.

3. TATA AIA, despite of having only 2 segments and 6 sub-segments is third in the category of number of policies sold. This is because of the reason that 1006 number of policies and 54% of the premium is contributed by wealth foundation sub-segment of its life solution segment. This means that the business of the company is highly concentrated and not distributed evenly across various segments of the society.

4. Birla Sunlife with 7 segments is fourth in terms of number of policies which has recorded a first premium policy sale of 1257 numbers during the period which again establishes the fact that higher number of segments results into better market penetration. Most of the segments except ‘NRI’ segment have contributed significantly to the business volume of the company.

5. Though Reliance life, with 2 segments and 7 sub-segments has succeeded in selling 1185 number of policies during the same period but, it is observed that most of its sale is concentrated.

6. It is observed that most of the companies' segmentation focuses mainly on urban customers and that is why their market is concentrated. LIC's segmentation is found to be wider and better which is reflected from its wide market coverage and penetration. However there is still much scope for improvement and innovation with regard to market segmentation.

7. The study of trends of segmentation and products of life insurance companies clearly indicated the growth in segments, sub segments and products of life insurance companies over the
periods barring very few cases where marginal decrease was observed in case of number of products. This is because of product rationalization, where almost identical products were done away with which were not contributing to the diverse needs of the population. Some products were also dropped because of incapability to meet regulatory requirements.

(II) Findings on customer satisfaction:

8. 58.33% respondents have replied that they are fully aware of the pros and cons of their present life insurance policies however; 36% have reported that they are partially aware and 5.67% have responded that they are not at all aware. This indicates that a little less than half of the customers lack in full awareness about their life insurance policies.

9. 57% of the customers responded that it was agent who introduced the life insurance policy to them. 26.67% responded that the policy has been introduced by the sales Manager or Development Officer. Whereas, 5.33%, 7.33% and 3.67% responded that their life insurance policy has been introduced by friends, colleagues and family member respectively. It is also evident from the responses that Agents play a major role in introducing the policy to the customers in case of LICI whereas, the role of managers are more in case of private life insurance companies like TATA AIA and ICICI Prudential. This makes it clear that the trust of customers on agents is more in case of LICI but, less in case of private life insurance.

10. 34.34% respondents have two policies and 3.33% have three or more policies. The replies clearly indicate that a non negligible proportion of customers had to buy multiple policies to meet their needs.
11. A significant portion of the respondents (39.29%) expressed that the primary purpose of purchasing multiple policies is the fact that a single policy is not able to cover all their needs.

12. 28.67% of customers are somewhat dissatisfied and 26.67% are highly dissatisfied totaling to 55.34% with their present life insurance policies. This reflects a high rate of dissatisfaction among the life insurance policy holders in Barak valley.

13. A significant portion of respondents (34%) reported that their present policy/s barely cover their needs. This shows the immense scope for improvement in segmenting the customer groups and developing products for them.

14. Premium, risk coverage and partial withdrawal facility are considered to be most important attributes of any life insurance policy by the customers among the six important attributes namely, risk coverage, partial withdrawal facility, multiple benefits from single policy, premium, regular returns or income and specific or special benefits like pension, children marriage, education etc..

15. However, highest satisfaction is observed in case of ‘risk coverage’ only. Satisfaction of customers in case of attributes like ‘Premium’ and others are found to be lesser.

16. GAP analysis focused on ‘TOP BOX’ with the above six attributes revealed the following findings:

   i. All the age groups of LIC’s customers considered ‘Risk coverage’ and ‘premium’ to be extremely important but, a relative dissatisfaction is observed with the increase in the age. In case of ‘regular income’, the younger age groups have considered it more important than the higher age groups.
ii. ‘Risk coverage’ and ‘premium’ are considered to be extremely important by both the genders of respondents of LIC. A marginal difference is observed in case of satisfaction among these two genders regarding the attributes.

iii. All the income groups of LIC have also considered the above to attributes as extremely important. However, a decreasing rate of satisfaction is observed with the increase in income.

iv. ‘Risk coverage’ and ‘Premium’ are also considered to be extremely important by all the age, gender and income groups of TATA AIA and a similar trend of dissatisfaction is observed in their case as well but, the GAP is observed to be more than LIC customers.

v. Unlike LIC, all the age groups of ICICI Prudential have considered ‘partial withdrawal facility’, ‘multiple benefits from single policy’ and ‘regular income’ as extremely important apart from ‘risk coverage’ and ‘premium’. In this case also, an increase in GAP is observed with the increase in age groups with regard to ‘risk coverage’ and ‘premium’.

vi. A marginal difference of GAP is observed is case of male and female respondents of ICICI Prudential.

vii. A decrease in GAP is observed with increase in income groups of ICICI Prudential respondents with respect to the six traits.

viii. The mean value tables also clearly depicts that the ‘risk coverage’ is considered to be ‘extremely important’ by all respondents across various age groups, genders and income groups. The satisfaction level decreases with the
increase in age of the respondents. This is because of the very fact that 'risk coverage' attribute of life insurance decreases with the increase in age.

ix. ‘Partial withdrawal facility’ like ‘risk coverage’ is also considered as ‘extremely important’ by 100% of respondents across various age groups, genders and income groups. The gap is significant among second age group (74.44%), third (48.82%) and fourth age group (77.78%). The gap is also observed to be significant gender wise with 54.5% gap among males and 52.05% among females. With relation to income groups, the gap is found to be consistent and significant with 46.87%, 57.08%, 57.07% and 66.67% among first, second, third and fourth income groups. This shows a high rate of non satisfaction among the customers.

x. ‘Multiple benefits from single policy’ is considered to be ‘extremely important’ by first three age groups barring fourth group. The gap in this case is significant with 63.8%, 75.33%, 54.77% and 48.61% among first, second, third and fourth age groups. Gender wise also it is considered to be ‘extremely important’ and the gap is significant (64.07%, 68.18% among males and females respectively). 91.34%, 90.16%, 96.30% and 100% of first, second, third and fourth income groups considered it to be ‘extremely important’ whereas, only 42.38%, 21.38%, 18.52% and 16.67% are found to be ‘very satisfied’ thereby, showing a very significant gap of 48.96%, 68.78%, 77.78% and 83.33% among first, second, third and fourth income groups.
xi. 'Premium' as the most important component of life insurance is considered to be 'extremely important' by all respondents across various age groups, genders and income groups. The gap increases with the increase in age.

xii. 'Specific benefits' like child education, marriage etc. is considered to be 'extremely important' by comparatively less proportion of respondents but, the gap is significant.

17. Comparative analysis of the satisfaction level of customers related to the above six attributes among three selected companies revealed that LICI's customers are most satisfied with the 'risk coverage' attribute with a relatively consistent response. TATA AIA's customers are found to be least satisfied with the 'partial withdrawal facility' and 'multiple benefits from single policy' attributes of their life insurance policy among the three companies. High differences in opinion among the respondents of all three companies regarding 'premium'. This is because lower age groups are found to be satisfied and higher age groups are not. LICI's customers are comparatively found to be more satisfied than the other two companies with respect to 'regular income' and 'specific benefits.'

18. It has been found that the age of the respondents have high influence on their level of satisfaction related to their life insurance policies with a chi square value of 56.888. Similarly, income of respondents has also high influence with a chi square value of 48.917.

19. It has been observed that the lower age groups among the respondents across the three companies are more inclined towards market linked, high growth products and pension products whereas, higher age groups are more inclined towards
traditional products like term assurance etc. It is also noticed that higher income groups prefer wealth creation and market linked products whereas, lower income groups prefer traditional and health products. Also, it has been observed that in case of LIC customers’ high differences exist among males and females whereas, in case of TATA AIA and ICICI Prudential male and female respondents have same preferences.

B. Findings addressing Objective number 2:

Factors acting as barriers towards even growth of life insurance market in Barak valley

20. It is found that while selling life insurance policies agents and advisors hardly tries to find out the actual need of the customer. They rather, sell those policies which can fetch them higher commissions. Hence, this factor is acting as a barrier towards even growth of life insurance market in ‘Barak valley’

21. Network marketing practice by the agents is found to be contaminating the very motive of selling life insurance and acting as a barrier towards future growth of this market.

22. Sales being an art has a proper process which starts with customer profiling and ends with feedback of customers after closing sales. The ideal selling process always tries to increase customer satisfaction through ethical conduct and putting customer above any other entity. But, it is observed that proper procedure of selling is not practiced by the agents and sales representatives while selling life insurance products in Barak valley.

23. “Cross selling to same group of customers instead of exploring new customer groups or markets “is considered to be the most
serious issue by the managers. Most of the managers think that there is a need for providing proper training to the agents and advisors which, presently, is only conducted for name sake and considered to be second important issue. Majority of managers also believe that the Premium paying capacity dominates the selection of customers by the agents and considered it to be the third important barrier towards even growth of life insurance market in the region. Finally, most of the managers also considered that regulatory changes done by IRDA has led to problem in selling life insurance policies.

24. Majority of managers (75.56%) consider that inflated returns shown by many life insurance sellers on unit linked policies had led to customer dissatisfaction and is acting as barrier towards growth of the market. They also expressed that the trust level of customers have decreased because of miss-selling.

25. Majority of managers (77.78%) agreed to the fact that concentration on high premium business is restricting the market to certain set of customers or markets. The very motive of life insurance business is overlooked by this tendency. Instead of serving more number of people in the society less numbers are served.

26. Managers believe that the agents, advisors and sales representatives are not able to explain the benefits of life insurance properly to the customers as because they themselves are not thorough with those benefits. This brings an apprehension in the minds of customers about life insurance products.

27. Majority of managers (66.67%) think that higher level of market segmentation and more innovative products can help in penetrating the market in a better way.
28. In response to an open ended question most of the Managers have expressed that insurance providers are perceived wrongly by the customers because of market contamination by the small sized, local non banking finance companies which are largely into money marketing. In the recent past, some of these companies have closed down their shutters after galloping large sum of amount from the public. This has created a great deal of distrust in the market.

C. Findings addressing Objective number 3:

Suggested model for life insurance market segmentation

29. Number of existing models of life insurance market segmentation has been studied and found out that all the models have concentrated in specific bases such as behavioral segmentation or psychographic traits like lifestyle and values. Keeping all this in mind, a model is suggested that suits the heterogeneous needs of customers and homogenous requirement of the life insurance companies.

7.2 SUGGESTIONS

The following suggestions may be considered for further improvement in the market segmentation of life insurance companies and for even and distributed development of the market:

1) The study revealed that there is no consistency or specific strategy in developing segments, sub-segments and products among life
insurance companies in our country and study area. Some companies have 4 sub-segments under a segment whereas; some company has no sub-segments under a particular segment. So, it is suggested having uniformity among segments and sub-segments. The companies can show their creativity in developing new segments and sub-segments and catering wide variety of customers and their needs.

2) Though there are wide number of research in the area of market segmentation which includes various statistical techniques and measures but, segmentation in life insurance sector in our country is still to be explored in a better way. Thus, it is required to have more precise research in this particular field.

3) Higher segmentation will not complicate the process of product development as perceived by the companies. Keeping the core features of a product intact and by adding value or additional features from time to time can be of significant help in catering the diverse or unique needs of customers without any significant rise in cost of product development. The rivalry among companies will also minimize, as there will be many segments to cater and thus, each company can have specific segments leading to specialization.

4) In order to tackle various problems which lead to concentration of the life insurance market instead of spreading across social and geographical strata, strong reforms and proper execution are required. This is possible only when life insurance companies joined hands together and move forward with healthy competition. Companies’ needs to encourage more need based selling rather than target based selling.

5) In order to encourage the life insurance companies to develop innovative segments and products, special incentives may be proposed for those who do that.
7.3 CONCLUSION

Life insurance is a social provision to cover up financial losses that happens because of some unforeseen accident in one’s life. The very motive of life insurance becomes null and void if the benefit of it cannot be received by all the section of our society. In Indian insurance market, the life insurance companies have a tendency to target the business of the existing companies rather than expanding the market. Thus, much of their effort is lost in capturing the existing customers rather than providing better and innovative products/services. There is a genuine need of developing innovative segments and catering needs of those who needs life insurance like any other section of the society.