APPENDIX I

Schedule for Managerial Interview

(Identifying the factors acting as barriers towards growth of life insurance market in Barak Valley)

Dear Respondents,

I, Mrinmoy Bhattacharjee, a doctoral research scholar in the Department of Commerce of Assam University, Silchar bearing registration number Ph. D/758/09 is pursuing my research on the topic, “Market Segmentation Strategies in Insurance Business: An Evaluative Study on Life Insurance Companies in Barak Valley”.

As an integral and inevitable part of the research I am required to collect certain vital information related to the topic. Hence, a schedule has been framed for collecting the information in a comprehensive way. So, I would like to put forward my very humble request to you to kindly respond to the questions fairly and truly. It is assured that the collected information will never be disclosed to any agency either government or private and will be purely used for academic purpose.

Name : 
Designation : 
Company : 
Branch : 

Q1. Do you think that non need based selling of life insurance policies is leading to customer dissatisfaction?

Yes No
Q2. Do you think that life insurance selling in Barak valley has become more of network marketing (agents sharing commissions to generate sales) then direct sales?

Yes  No

Q3. Is proper selling process followed while selling life insurance policies in Barak valley?

Yes  No

Q4. Do you agree that only premium paying capacity is considered as the prime factor while choosing a customer by the sales agents and executives?

a) Strongly agree
b) Somewhat agree
c) Somewhat disagree
d) Strongly disagree

Q5. Do you agree that Insurance Agents and Executives find it convenient to cross sell to the same group of customers instead of exploring new leads (customers)?

a) Strongly agree
b) Somewhat agree
c) Somewhat disagree
d) Strongly disagree

Q6. Has inflated returns shown by many life insurance sellers on unit linked policies had led to customer dissatisfaction?

Yes  No

Q7. Has the Trust level of customers come down because of miss selling?

Yes  No
Q8. Do you agree that advisors need to be trained and updated properly which is a barrier in exploring the life insurance market?

   a) Strongly agree
   b) Somewhat agree
   c) Somewhat disagree
   d) Strongly disagree

Q9. Do you think that life insurance companies Concentrate on high volume (premium) business instead of numbers?

   Yes    No

Q10. Is there a lack of focus in selling the benefits of a life insurance product properly?

   Yes    No

Q11. Do you think that better market segmentation and more innovative products can explore the life insurance market in a better way?

   Yes    No

Q12. Do you agree that regulatory changes done by IRDA has led to problem in selling life insurance policies?

   a) Strongly agree
   b) Somewhat agree
   c) Somewhat disagree
   d) Strongly disagree

Q13. Do you have any other specific issue to mention in this respect (Open ended)?

Thank you
APPENDIX II

Schedule for Judging Customer Satisfaction Regarding Life Insurance Policies in Barak Valley

Dear Respondents,

I, Mrinmoy Bhattacharjee, a doctoral research scholar in the Department of Commerce of Assam University, Silchar bearing registration number Ph. D/758/09 is pursuing my research on the topic, “Market Segmentation Strategies in Insurance Business: An Evaluative Study on Life Insurance Companies in Barak Valley”.

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<table>
<thead>
<tr>
<th>Name</th>
<th>:</th>
</tr>
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<tbody>
<tr>
<td>Age</td>
<td>:</td>
</tr>
<tr>
<td>Gender</td>
<td>Male/ Female</td>
</tr>
<tr>
<td>Annual Income</td>
<td>a) Below 2 Lakhs</td>
</tr>
<tr>
<td></td>
<td>b) 2-5 Lakhs</td>
</tr>
<tr>
<td></td>
<td>c) 5-10 Lakhs</td>
</tr>
<tr>
<td></td>
<td>d) Above 10 Lakhs</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Single/ Married/ widowed</td>
</tr>
<tr>
<td>Family size</td>
<td>:</td>
</tr>
<tr>
<td>Number of children (Male and Female)</td>
<td>:</td>
</tr>
</tbody>
</table>
Q1. How do you are about the pros and cons of present life insurance policy/s you have?

- Fully
- Partially
- Not at all

Q2. Who introduced the policy/s to you?

- Agent
- Development Officer/ Manager
- Friend
- Colleague
- Family member
- Others (Please specify)

Q3. How many life insurance policies (of the company) do you have?

- Only one
- Two
- Three and above

If answer to the Q3 is more than one, then?

Q4. What is the purpose of purchasing multiple policies?

a) Tax savings
b) Single policy is not able to provide all the benefits that you looked for
c) On Advisor’s advice
d) Any other reason (Please specify)
Q5. How much satisfied you are with the present life insurance policy/s you have?

- Highly satisfied
- Somewhat satisfied
- Somewhat dissatisfied
- Highly dissatisfied

Q6. To what extent the policy/s cover your needs?

- Fully
- Partially
- Barely

Q7. Rate the following attributes of your life insurance policy according to the importance you attach to them on a rating scale of 1 to 5, where, 1 stands for ‘not at all important’, 2 stands for ‘not very important’, 3 stands for ‘somewhat important’, 4 stands for ‘important’ and 5 stands for ‘extremely important’:

- Risk coverage: 1 2 3 3 5
- Partial withdrawal facility: 1 2 3 4 5
- Multiple benefits from single policy: 1 2 3 4 5
- Premium: 1 2 3 4 5
- Regular returns/ income or money back: 1 2 3 4 5
- Specific or special benefits: 1 2 3 4 5
Q8. Rate the following attributes of your life insurance policy according to the satisfaction you have on a rating scale of 1 to 5, where, 1 stands for 'very dissatisfied', 2 stands for 'somewhat dissatisfied', 3 stands for 'neutral', 4 stands for 'somewhat satisfied' and 5 stands for 'very satisfied':

- Risk coverage: 1 2 3 3 5
- Partial withdrawal facility: 1 2 3 4 5
- Multiple benefits from single policy: 1 2 3 4 5
- Premium: 1 2 3 4 5
- Regular returns/ income or money back: 1 2 3 4 5
- Specific or special benefits: 1 2 3 4 5

If answer to the Q6. Is 'b' or 'c', then

Q09. Please mention the needs which are not covered by the life insurance policy/s you have?

(Open ended question)

Q10. What type of life insurance policy do you have?

a) Term assurance policy
b) Pure endowment policy
c) Whole life policy
d) Endowment assurance policy
e) Double endowment assurance policy
f) Money back policy
g) Convertible plan
h) Joint life policy
i) Child policy
j) Unit linked policy (Please specify type)
k) Salary savings scheme policy
l) Pension or annuities
m) Plans covering handicaps
n) Group insurance
o) Marriage Endowment plan
p) Educational annuity plan
q) Others (Please specify)

Thank you
Customer Satisfaction in Life Insurance: An Empirical Study On Life Insurance Customers In Three Districts Of Barak Valley, Assam

* Minmoy Bhattacharjee ** Nikhil Bhusan Dey

** Professor, Department of Commerce, Assam University, Silchar

ABSTRACT

Life insurance being a social provision to partially compensate for financial losses of an individual needs upgradation and innovation to suit the complex needs of customers in 21st century. The growth of life insurance market is directly linked to the present perception and satisfaction of customers with their life insurance policies. It is always wise to periodically judge the changing needs and requirements of customers to further innovate products. Previously, the main objective of buying insurance was protection for dependents. However, insurance now has become more than just a hedge. Customers are now beginning to incorporate insurance plans while drawing up their financial plans. Companies should plan and offer products which can assist their customers in fulfilling their exact set of needs. Hence, insurance companies must move from selling insurance to changing need identification and offering suitable products to satisfy these. The present empirical study is an attempt made to find the satisfaction level of Customers towards their present life insurance policies.

Keywords: Life insurance, customer satisfaction, attributes.

Introduction:

Customers' needs and requirements have changed substantially over last few decades. With the increase in complexities of life the requirements of customers have also become complex and diverse. Consumers buy not only the products but also the bundle of needs and emotions. Modern goods and services are recognized as essentially psychological things which are symbolic of personal attributes, needs, goals and social patterns of strivings (Sidney Levy, 1959). The Indian industry, taking advantage of positive conditions in the economy, has seen a spectacular growth in recent years. Against this backdrop, the insurance industry in India has undergone a significant transformation and emerged with noticeable trends. However, it faces increasingly tremendous challenges because of changing customer demographics, technology etc. Previously the main objective of buying insurance was protection for dependents. However, insurance now has become more than just a hedge. Customers are now beginning to incorporate insurance plans while drawing up their financial plans. Companies should plan and offer products which can assist their customers in fulfilling their exact set of needs. Hence, insurance companies must move from selling insurance to changing need identification and offering suitable products to satisfy these. The present empirical study is an attempt made to find the satisfaction level of Customers towards their present life insurance policies.

Objective of the study:

The present empirical study is an attempt made to find the satisfaction level of Customers towards their present life insurance policies.

Methodology:

300 customers from three life insurance companies (LICI, TATA-ANG and ICICI Prudential) across three districts of Barak valley selected through multi stage stratified random sampling with replacement were interviewed using a structured schedule. Out of the total respondents 83 were between 25-35 years of age, 118 were between 35-45 years of age, 82 were between 45-55 years of age and 17 were above 55 years of age.

Further, out of total respondents 208 were males and 92 were females. The annual income of 74 respondents, out of total, was below 2 Lakhs, income of 177 respondents were between 2 to 5 Lakhs. 41 were having income between 5 to 10 Lakhs. 108 were above 5 Lakhs.

Vital attributes of life insurance and relative customer satisfaction:

Vital attributes of life insurance and relative customer satisfaction:

With a view to ascertain the level of customer satisfaction with their present life insurance policies, six vital attributes or features of life insurance namely, risk coverage, partial withdrawal facility, multiple benefits from single policy, premium, regular returns or income and specific or special benefits like pension, child marriage, education etc. Were listed and respondents were asked to rate them in terms of importance they attach to the attributes, 1 stands for 'very important' whereas, with relation to satisfaction level of the attributes, 1 stands for 'not at all important', 2 stands for 'not very important', 3 stands for 'somewhat important', 4 stands for 'important' and 5 stands for 'extremely important', whereas, with relation to satisfaction level of the attributes, 1 stands for 'not at all important', 2 stands for 'not very important', 3 stands for 'somewhat important', 4 stands for 'important' and 5 stands for 'extremely important' whereas, with relation to satisfaction level of the attributes, 1 stands for 'not at all important', 2 stands for 'not very important', 3 stands for 'somewhat important', 4 stands for 'important' and 5 stands for 'extremely important'. The presentations of the results are given below.
Table 1
Importance of various attributes of life insurance to customers

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Policy holders of LICI Mean</th>
<th>Policy holders of TATA- AIG Mean</th>
<th>Policy holders of ICICI Prudential Mean</th>
<th>Mean of means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk coverage</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Partial withdrawal facility</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Multiple benefits from single policy</td>
<td>4.78</td>
<td>4.86</td>
<td>4.96</td>
<td>4.87</td>
</tr>
<tr>
<td>Premium</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Regular returns/ income or money back</td>
<td>4.84</td>
<td>4.98</td>
<td>5</td>
<td>4.94</td>
</tr>
<tr>
<td>Specific or special benefits</td>
<td>3.55</td>
<td>3.34</td>
<td>3.64</td>
<td>3.51</td>
</tr>
</tbody>
</table>

As understood from table 1, risk coverage, partial withdrawal facility and premium are considered to be the most important attributes of any life insurance policy by the respondents with the highest mean of 5. Regular returns, with a mean of 4.94 are considered to be the next important attribute by the respondents. Multiple benefits from single policy, with a mean of 4.87 is also considered to be an important attribute, if not most. However, specific benefits like pension, marriage of children, education of children etc. is given least importance by the respondents with the lowest mean of 3.51.

Table 2
Customer satisfaction with relation to attributes of life insurance

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Policy holders of LICI Mean</th>
<th>Policy holders of TATA- AIG Mean</th>
<th>Policy holders of ICICI Prudential Mean</th>
<th>Mean of means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk coverage</td>
<td>4.7</td>
<td>4.61</td>
<td>4.58</td>
<td>4.63</td>
</tr>
<tr>
<td>Partial withdrawal facility</td>
<td>4.82</td>
<td>3</td>
<td>3.58</td>
<td>3.8</td>
</tr>
<tr>
<td>Multiple benefits from single policy</td>
<td>3.53</td>
<td>2.88</td>
<td>3.08</td>
<td>3.16</td>
</tr>
<tr>
<td>Premium</td>
<td>3.14</td>
<td>3.6</td>
<td>3.28</td>
<td>3.34</td>
</tr>
<tr>
<td>Regular returns/ income or money back</td>
<td>3.55</td>
<td>3.01</td>
<td>3.34</td>
<td>3.3</td>
</tr>
<tr>
<td>Specific or special benefits</td>
<td>2.8</td>
<td>2.8</td>
<td>3.04</td>
<td>2.88</td>
</tr>
</tbody>
</table>

Table 2 clearly depicts the satisfaction level of the respondents regarding these attributes. Highest satisfaction is expressed by the respondents in case of 'risk coverage' with the highest mean of 4.63 as is considered to be of highest importance. 'Partial withdrawal facility' and 'Premium', which is also considered to be of highest importance in the previous table (table 7), are however, having a mean of only 3.8 and 3.34. 'Regular returns' and 'multiple benefits from single policy' have received a mean of 3.3 and 3.16 respectively. Specific or special benefit has a mean of 2.88 which is lowest as in the previous table The responses of table 8 indicate a low satisfaction level of the customers with relation to the attributes with only one having a mean above 4

GAP analysis focused on 'TOP BOX' with the above six attributes is done to find out the gap between percentage of customers rating the attributes as 'extremely important' and the percentage of customers who reported to be 'very satisfied' with these attributes. The analysis is done on three bases namely, on the basis of age group, on the basis of gender and on the basis of income group.

Table 3
Age wise GAP

<table>
<thead>
<tr>
<th>Attributes</th>
<th>25- 35 years</th>
<th>35- 45 years</th>
<th>45- 55 years</th>
<th>Above 55 years</th>
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<tr>
<td></td>
<td>Extremely important (%)</td>
<td>Very satisfied (%)</td>
<td>GAP</td>
<td>Extremely important (%)</td>
</tr>
<tr>
<td>Risk Coverage</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Partial withdrawal facility</td>
<td>100</td>
<td>100</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Multiple benefits from single policy</td>
<td>93.33</td>
<td>62.53</td>
<td>63.8</td>
<td>100</td>
</tr>
<tr>
<td>Premiums</td>
<td>100</td>
<td>71.3</td>
<td>38.7</td>
<td>100</td>
</tr>
<tr>
<td>Regular income</td>
<td>96</td>
<td>41.56</td>
<td>54.44</td>
<td>100</td>
</tr>
<tr>
<td>Specific or special benefit</td>
<td>25.24</td>
<td>19.29</td>
<td>5.95</td>
<td>26.36</td>
</tr>
</tbody>
</table>

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The satisfaction level decreases with the increase in age. So, the gap is significant in higher age groups. With relation to gender, it is observed that gap among males is marginal (8.94%) and females are more (18.79%). Among the income groups, the gap is highest in case of last group with highest income (38.89%) whereas, others are insignificant.

Partial withdrawal facility like 'risk coverage' is considered as ‘extremely important’ by 100% of respondents across various age groups, genders and income groups. The first age group is silent about their satisfaction level related to this attribute however, the gap is significant among second age group (74.44%), third (68.62%) and fourth age group (77.78%). The gap is 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.

Multiple benefits from single policy is considered as ‘extremely important’ by first three age groups barring fourth group where 48.61% of respondents only considers it as ‘extremely important’. 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% among first, second, third and fourth income groups considered it as ‘extremely important’. The gap in this case is significant with 96%, 94.44%, 96.3% and 55.56% of first, second, third and fourth income groups considered it as ‘extremely important’ whereas, significant gaps are observed (54.94%, 58.26%, 68.69% and 83.33%)

Specific benefits like child education, marriage etc. are considered to be ‘extremely important’ by comparatively less proportion of respondents but the gap is significant. viz. 54.17% of fourth age group considered it as ‘extremely important’ and only 12.04% are ‘very satisfied’ and hence, there is a gap of 42.13%.

Conclusion:
It is clearly evident from the study that the satisfaction level of customers with various attributes of life insurance is low. There is ample scope of innovation and creativity to explore the vast untapped market of life insurance and also to satisfy customers.
REFERENCES

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<td><em>Priyanka Jayashankar and Robert V Goedegebuure</em></td>
<td></td>
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</tbody>
</table>
Barriers to the Balanced Growth of Life Insurance Market in Barak Valley, Assam

Nikhil Bhusan Dey*  Mrinmoy Bhattacharjee**

The primary objective of life insurance is to serve as a social instrument for providing economic security to the insured, irrespective of their social status, geographic location, etc. However, it is found that life insurance companies prefer to generate business from a concentrated market segment, rather than distributed across wide geographic regions and social strata. The present empirical study finds out various factors acting as barriers to the even growth of life insurance market in three districts of Assam (India), collectively known as 'Barak Valley'.

Life insurance is a contract for payment of a sum of money to the person insured or to the person entitled to receive the same on the happening of the event insured by the contract (Gupta, 2007)1. Fundamentally, it is a social provision to cover a part of the financial loss caused by an unforeseen event in one's life. It is acknowledged as a tool to reduce, if not eliminate risk, and provide timely aid to the family in the unfortunate event of the death of the bread earner. The motive behind the provision of life insurance is noble. It has been designed and developed for benefiting the society at large by reducing or mitigating risks in one's life. The fundamental business of life insurance companies is to provide risk coverage to the people of the society, irrespective of their social status, religion, culture and so on.

In India, the history of life insurance dates back to 1818, when a British firm established Oriental Life Insurance Company in Calcutta, followed by Bombay Life Assurance Company in 1823. However, modern day life insurance started with the formation of Life Insurance Corporation of India in the year 1956 by an act of Parliament. Since then, the business of insurance had been under the control of the government until the Malhotra Committee submitted its report in 1994, recommending the opening up of the insurance sector to private players. The Committee suggested that the huge untapped portion of the insurable population (which is not under insurance coverage), needs to be insured through the participation of private players. The recommendation for private participation in life insurance was mainly meant to serve the rural and other untapped segments of the society through innovative and non-traditional insurance policies.

Private and foreign participation in the insurance sector was triggered by the formation of Insurance Regulatory and Development Authority (IRDA) in 1999. Currently, there are more than twenty life insurance companies operating in India, namely, Bajaj Allianz Life Insurance, Birla Sunlife Insurance, HDFC Life Insurance, ICICI Prudential Life Insurance, ING Vysya Life Insurance, Life Insurance Corporation of India, Max New York Life Insurance, Met Life India Insurance, Kotak Mahindra Old Mutual Life Insurance, SBI Life Insurance, Tata AIG Life Insurance, Reliance Life Insurance, Aviva Life Insurance, Sahara India Life Insurance,

* Professor, Department of Commerce, Assam Central University, Silchar. The author can be reached at nikhil.b.dey@gmail.com
** Sr. Faculty Member, Faculty of Management, IU Mizoram, Aizawl. The author can be reached at mrmn@yahoo.com
Objective of the Study
The objective of the study is to identify the underlying factors or reasons for uneven growth of life insurance market in 'Barak Valley' (Silchar, Karimganj and Hailakandi districts) in Assam.

Data Source and Methodology
This study is based on both primary and secondary sources of information. Secondary data was collected from the branch offices of the respective life insurance companies in the study area. The primary data required to substantiate the findings were collected by interviewing the sales managers of the life insurance companies. The next section provides a detailed illustration of the process.

Sampling and Survey Process
Most of the life insurance companies prefer to operate and generate their revenues from urban areas, especially from a concentrated group of customers. Currently, there are thirteen life insurance companies operating in this region namely, HDFC Life, Bharti AXA, SBI Life, Sahara Life, ICICI Prudential, Tata AIG, Bajaj Allianz, Birla Sunlife, Reliance Life, Aviva, Met Life, LIC and most recently, Star Union Dai-Ichi.

Further, for the purpose of primary data collection, through personal interview of managers of various life insurance companies, a multi-stage stratified random sampling approach was adopted. In the first stage, among the life insurance companies operating in Barak valley, those companies were selected which were established in Barak valley during or before 2008. In the second stage, the companies having their core business in insurance, finance, money markets, etc., were chosen. In the third stage, those companies were selected which have exclusive branches for their life insurance business. An illustrative representation of this sampling method is provided in Figure 1.

Finally, from the companies identified in the third stage, three groups were formed namely, companies having only one branch, companies having two branches and companies with three or more branches. The total number of sales managers working in these companies was found out and a sample of 25% of the managers from each group was selected randomly for direct personal interview to know the factors acting as barriers towards even and well-distributed development of life insurance market in 'Barak valley', Assam. Table 1 provides details regarding the method adopted for identifying sales managers who would respond to the survey.

The secondary data presented in Table 2 provides a clear picture of the concentrated nature of the new business that is being generated in the region. The average premium per policy is as high as Rs. 27,348, which can be afforded only by a small section of the society.

Findings
The following findings emerge from the analysis of secondary data as well as from personal interviews with the sales managers of selected life insurance companies operating in the three districts of 'Barak valley':

- Non-need Based Selling: Leading to Customer Dissatisfaction

The most important factor leading to customer satisfaction is not taken care of by the majority of sales agents and executives, while selling life insurance products in Barak valley. Much of the
Table 1: Method Adopted for Identifying Sales Managers/Respondents

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies having only one branch in the study area</td>
<td>Companies having two branches in the study area</td>
<td>Companies having three or more branches in the study area</td>
</tr>
<tr>
<td>HDFC Life (10)</td>
<td>ICICI Prudential (24)</td>
<td>ICICI Prudential (24)</td>
</tr>
<tr>
<td>SBI Life (6)</td>
<td>SBI Life (6)</td>
<td>SBI Life (6)</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
<td>Total</td>
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<td>36</td>
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<table>
<thead>
<tr>
<th>Stratum 1</th>
<th>Stratum 2</th>
<th>Stratum 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies having only one branch in the study area</td>
<td>Companies having two branches in the study area</td>
<td>Companies having three or more branches in the study area</td>
</tr>
<tr>
<td>HDFC Life (10)</td>
<td>ICICI Prudential (24)</td>
<td>ICICI Prudential (24)</td>
</tr>
<tr>
<td>SBI Life (6)</td>
<td>SBI Life (6)</td>
<td>SBI Life (6)</td>
</tr>
<tr>
<td>Total</td>
<td>Total</td>
<td>Total</td>
</tr>
<tr>
<td>36</td>
<td>24</td>
<td>18</td>
</tr>
</tbody>
</table>

|-------------------------|-----------------------------|-------------------------------------------------------|

An objective study of customer needs is not all customer satisfaction. It is time the customer starts appreciating buying a life insurance policy which does not properly suit their own convenience, which leads to dissatisfaction.
Target-Based Sales

Sales are largely driven by targets in terms of number of policies and premiums. The new recruits are not given enough time to settle down and understand the market properly before jumping into aggressive sales. As a result, various shortcut techniques and procedures are adopted by them. These lead to the creation of an unethical marketing environment among life insurance service providers in the region.

More of Network Marketing than Direct Sales

Life insurance selling has informally become more like multi-level network marketing. Agents have their own network and they share their commission with the people in their network for selling policies. This practice encourages selling policies which bring higher commission to the agents rather than providing benefits to the customers.

Proper Selling Process is not Followed

Direct selling is a great art. In today's business scenario, the market is largely a buyers' market, where customers decide the future of a product or a brand. The selling process consists of several sequential stages starting from customer profiling until order closing and follow-up. Most of the frontline sales personnel skip many stages of the selling process while selling the life insurance products in Barak Valley. For example, proper customer profiling based on family, profession and social status are not given due importance and time. This leads to the sale of products which are not in harmony with the needs.

Only Capacity to Pay Premium is Considered as the Prime Factor

The most important factor considered for selling life insurance products is the capacity of customers to pay premium. Due importance is not given to other vital factors such as the overall income and investment portfolio, insurance policies already held, etc.

Cross-Selling to the Same Customer Instead of Exploring New Customers

Despite having policies targeted at the rural and lower socioeconomic segments, the insurance market is largely confined to urban areas. In urban areas, too, customers who already have life insurance policy are targeted again and again. This is one of the major reasons for
immense competition in life insurance business in this region. In our country, 70% of the population resides in rural areas. Further, out of the total insurable population, only around 30% have insurance coverage so far. This fact clearly reflects the concentrated nature of the insurance market in India.

**Inflated Returns Shown by Salespersons on Unit Linked Policies have Led to Customer Dissatisfaction**

One of the main reasons for customer dissatisfaction is exaggerated returns shown by most of the life insurance sellers in the case of unit linked policies. Unit linked policies are market-based policies, and their growth depends on the performance of shares and other securities in the secondary market. According to Reserve Bank of India (RBI), unit linked policies can be expected to give an average return of 6% to 10% annually, but there is no guarantee of sustained growth, i.e., there may be a growth of 8% in a particular year, followed by a drop of 5% in the next year. Therefore, promising a steady growth of 10% every year cannot be considered ethical. When a customer surrenders the policy after a few years and finds that the actual returns fall far short of the promises made and exceed the zone of tolerance, it not only leads to dissatisfaction but also results in increased level of expectation the next time.

**Trust Level has Come Down Because of Mis-selling**

The level of trust has come down significantly in the existing market because of mis-selling practices adopted by the life insurance sellers. Most of the customers rely on their agents and sales executives for a clear understanding about the policy he/she is going to subscribe to. It is indeed rare for customers to go through every detail of the policy document. In many cases, it has been noticed that vital information like claim settlement procedures and maturity value are not properly explained by the agents or executives which has eventually led to a fall in customer trust level regarding the life insurance service providers.

**Lack of Trained and Updated Advisors**

Advisors or agents recruited by the companies do not have adequate understanding of the real meaning and implications of the life insurance products. The appointment of advisors also happens under pressure. The motivation level of the advisors or agents, their capability to understand the pros and cons of various policies and to share them with prospective customers are not properly judged. As a matter of fact, there are even entire families in urban areas where all the members are agents or advisors of various life insurance companies.

**Concentration on High Volume Business Instead of Numbers**

Most of the life insurance companies concentrate on high volume of business rather than on numbers. As a result, the market gets concentrated in specific areas. Sales agents and advisors keep haunting clients who have the capability of paying high premium to meet their designated sales targets. A careful study of sales figures of the various life insurance companies reveals that while the amount of premium collected is significant, the number of policies sold is quite low.

**Lack of Proper Feedback from Field Executives and Action Thereupon**

As commission or incentive is the only motive which drives most of the field sales executives and agents to sell life insurance policies, they seldom feel the need to
escalate the vital inputs given by customers to the management. Thus, ideas for designing appropriate policies with better coverage and investment options; and complaints regarding service deficiencies and misrepresentation of facts, never reach the management.

- **Lack of Clarity in Explaining Product Benefits**
  Most of the life insurance policies provide multiple benefits to the customer. For example, unit-linked plans are mostly promoted by the agents and front-line sales personnel (and accordingly perceived by the customers) as plans which provide very high returns on investments. Therefore, eventually, when the funds do not perform well, it leads to customer dissatisfaction. Whereas, in reality, a unit-linked policy provides multiple benefits such as tax benefit, risk coverage, premium payment flexibility, switching facility and so on. Many of these benefits are not pointed out clearly by the sales agents while selling the policy, which could have presented the policy to the customers in a more holistic and transparent way. Hence, customers would not have lost all hopes only because of the failure of one benefit.

- **Unethical Competition from Financial Institutions or NBFCs**
  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 collecting deposits with the promise of high returns. In the recent past, some of these companies have closed down their shutters after taking large sums of money from the public. This has created a great deal of mistrust in the market.

- **Regulatory Changes Done by IRDA has Led to Major Problem in Selling Non-traditional Policies**
  The long dispute between Securities Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority of India (IRDA) has led to some changes with respect to specific life insurance policies in the country and also in the commission structures of agents or advisors selling those policies. The lock-in period for unit-linked policies was raised from 3 to 5 years, and partial withdrawal system for ULIP pension/annuity products was withdrawn. In addition, allocation charges were mandated to be evenly distributed during the lock-in period, so that the major part of premiums collected from the customers during the first year did not go towards these charges. All top-up premiums were also required to provide insurance coverage. As a result of these changes, the life insurance companies are now finding it more difficult to sell these policies.

**Conclusion**
Life insurance evidently has a huge market potential in our country, as 70% of the insurable population is yet to be covered. Growing competition in this area corroborates this fact. The entry of numerous private companies (with foreign collaboration) over the past decade has made it a battlefield. However, the basic purpose of life insurance is being overlooked by most of the companies. The volume of business has become the prime concern rather than providing risk coverage to larger segments of the population. Apparently, the life insurance business seems to be flourishing, but the ground reality is different. Despite more than a dozen life insurance companies operating in Barak valley, Assam, they are focusing on specific areas only. There is a serious need for looking into the business of life insurance in a different way, concentrating more on the societal need at large as well as the ethical aspect of selling.

Reference # IAM 2011-07-08-01

Barriers to the Balanced Growth of Life Insurance Market in Barak Valley, Assam