CHAPTER I

INTRODUCTION

Man is exposed to risk and uncertainties. For instance, the time of death of a person is not certain and in case of his premature death a man’s dependents may find themselves deprived of all means of existence. Similarly, the property of a person is open to all risks of its being destroyed by fire. Every prudent man will carefully consider how best he can prevent such risks or minimise or provide
against its effects. It is difficult for an individual or even a large business enterprise to invest millions of rupees in the huge factory building and equipment or ships unless the arrangement for covering the risk is possible. This arrangement is made possible by insurance\(^1\).

The essence of insurance is the elimination of risk and the substitution of certainty for uncertainty. Insurance is thus a cooperative way of spreading risk. However, it may be noted that insurance cannot prevent loss of property or goods by fire or other perils. It can merely provide a financial compensation for the effects of misfortune.

According to Ghosh and Agarwal, (1975) Insurance is a cooperative form of distributing a certain risk over a group of persons who are exposed to it.

According to Encyclopaedia Britannica, Insurance may be described as a social device whereby a large of individuals through a system of equitable contributions may reduce or eliminate certain measurable risk of economic loss common to all members of the group.

\(^1\)R.C.Chawla and K.C.Garg, Mercantile Law, Kalyani Publishers, New Delhi, 2000, p.501
In order to avoid ambiguity a few operational definitions have been developed in the course of designing and execution of the study. These definitions are given below:

**INSURANCE AGENT**

An Insurance Agent is the one who is authorized by an Insurance company to solicit, create, modify or terminate contracts of Insurance between the company and the public.

**SATISFACTION**

Satisfaction is the extent, in which the policyholders have been satisfied about the various services of LIC, as expressed by the respondents themselves.

**LIFE FUNDS**

The difference between total receipts and total expenditure is net profit but is a reserve with which the net liability will be compared when ascertained. This reserve is called assurance fund.
PREMIUM

The amount payable at regular intervals or in some instances as a single amount, in return for the particular cover provided by a policy of Insurance.

BONUS

It is the share of profit, a policyholder gets from the life Insurance company.

REVERSIONARY BONUS

It is payable only on the maturity of the policy.

INSURER

The LIC otherwise called as Insurer.

INSURED

One who takes up policy from LIC?

FIRST YEAR PREMIUM

The policyholder pays it first year of the life policy.

RENEWAL PREMIUM

Premium paid in later years of the policy are known as Premium.

ANNUITY

It refers to fixed annual payment made by the Insurance Company to the insured on his attaining specified age.
COMMISSION

It is the compensation and remuneration for the discharge of duties by the agent.

Contract of Insurance

It is a contract between two parties whereby a person undertakes in consideration of fixed sum to pay to the other fixed amount of money on the happening of a certain event or to pay the amount of actual loss when it takes place through a risk insured.

Policy

The instrument containing the contract of insurance is called a policy.

Premium

The consideration in return for which insurer agrees to make good the loss is known as premium.

Subject matter of Insurance

The thing or property which forms the basis of insurance is called the subject matter of insurance.
**Insurable interest**

The interest of the insurer in the subject matter is called the insurable interest.

A contract of insurance is not a wagering contract as it is the opposite of gambling. There is no possibility of any gain because the underlying principle of an insurance contract is to indemnity the individual from loss whether by fire, accident or death.

**Fundamental elements of insurance**

i. Essential elements of a valid contract

ii. Utmost good faith

iii. Insurable Interest

iv. Indemnity

v. CausaProxima

vi. Attached risk

vii. Mitigation of loss

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viii. Subrogation and

ix. Contribution

**Premiums**

It is the price paid adequate to the risk. It is the consideration receivable by the insurers from the insured in exchange for their promise to pay the sum insured in case the event insured against happens. The contract of insurance must define the rate of premium. The rate of premium is calculated upon the average of losses as compared with profits. After the policy has become binding the insured cannot ordinarily recover the premiums paid to the insurer.
Re-Insurance

It is an insurance of insurance. The insurer as much as he is liable on a policy of insurance may insure against the risk which he has taken upon himself.

The second contract of insurance is called re-insurance.

Double Insurance

When an insured insures the same property with more than one insurer and the total sum insured exceeds the value of the subject matter, the insured is said to make double insurance. But in the case of loss the insured cannot recover more than actual amount of loss. This is because a contract of insurance is a contract of indemnity.

Life Insurance

It is a contract whereby the insurer in consideration of a premium paid either in lump sum or in periodical installments undertake to pay an annuity or a certain sum of money, either on the death of the insured or on the expiry of a certain number of years whichever is earlier.

The Life Insurance Corporation of India (LIC) is the largest life insurance company in India and also the country’s largest investor. It was fully owned by the
Government of India on 1\textsuperscript{st} of September 1956, head quartered at Mumbai, which is considered as the financial capital of India.

Life insurance is not only designed to protect the future interest of one’s family, but also to provide reasonable returns on one’s investment. Consequently, many people use life insurance as a form of investment as saving for their child education, preparation for retirement or adding to the value of their savings pool in general and they may also use it as a backup in case of a financial emergency.

The life insurance is a contract between two parties where one party agrees to indemnity the loss suffered by the other party for consideration of some money called premium. The party, which promises to indemnity the loss, is called “Insurance” and the person or the party subjected to the risk is called “Insurer”.

“Insurance” is a contract in which a sum of money is paid by the insured in consideration of the Insurer’s incurring the risk of paying a large sum up on a given contingency.

Insurance may be defined as a system of collective security under which any member who suffers is paid compensation for a loss, from a fund jointly contributed by the members.
Life Insurance business in India was being transacted by private companies from 1956. The president of India promulgated on the 19th January 1956 the Life Insurance ordinance by which management and control of the Insurance business in India of 245 India act came into being on the 1st September 1956, described as the Appointed Day in the LIC Act.

“The nationalization of Life Insurance was another milestone on road the country has chosen in order to reach its goal of a socialistic pattern of society.” In the implementation of the second five - year plan, it was bound to give material assistance. Into the lives of millions is the rural area; it introduces a new sense of awareness of building for the future in the spirit of calm and confidence.

It is a measure conceived in a genuine spirit of service to the people. It is for the people to respond, confound the doubters and make it a resounding success, “observed Sri C.D.Deshmukh from his broadcast to the nation on the eve of the promulgation of the Life Insurance (Emergency provision) ordinance, 1956.

Evolution of Insurance

In those days, insurance was in its crude form and it was cooperative and voluntary in nature. When, where and how it originated is still a matter of research. Evidences are available to show that insurance in one way or the other
was prevalent in olden days. We can trace out its history from the evolution of human society from hunting stage to the modern industrial age. A word YAGKCHHEM occurs in the world’s most ancient Hindu scripture Rig veda.

The word YAGKCHHEM means insurance. It clearly indicated that about four thousand years ago, insurance was prevalent in its crude form, it was voluntary in nature. People formed different groups of organisations to share the loss among themselves in case of a particular risk. Each member contributed some amount to a common fund to meet out the unforeseen losses. Sometimes they also considered equally compensating a person as and when he suffered a loss. Traces of insurance in the ancient world were also found in the form of marine trade loans or contracts, which included an element of insurance. Evidence is on record that arrangements embodying the idea of insurance were made in Bobylonia and India at quite a concept of Insurance.

**REASONS FOR NATIONALISATION**

Before Nationalization, many Insurance companies in India indulged in extravagant expenses, charged high price for the risk and employed too many middlemen of high commission and salaries. At that time the lapse ratio of Life Insurance policy was very high, which determined the efficiency of the business. The cut-throat competition and rate war between the insurance companies was the
worst and the service performances were commendable. The above factors had led to ultimate liquidation and amalgamation of insurance companies.

Above all, the policyholder’s saving was vitally needed for the implementation of Second Five Year plan and for further Economic Development of the country. The Indian National Congress, the ruling party, was wedded to a socialistic policy and the state affairs of the Insurance companies over the decade 1945 to 1955 provided the provocation that made to resort to the nationalization of Live Sector

**Kinds of Insurance**

The risks which can be insured have increased in number owing to the increasing complexity of the present day economic system. These days any risk can be made the subject matter of contract of insurance. Even one day cricket matches are insured and if the match could not be played, the organizers would get compensation from the insurance company.

Insurance business can be divided into two main branches:

- Life Insurance business and
- General Insurance business.

The general insurance business refers to fire, marine or miscellaneous insurance business, crop insurance, burglary insurance, motor vehicles insurance,
bad debts insurance etc fall under miscellaneous insurance business. Life, Fire and marine insurance businesses are given prime importance.\(^3\)

In India, the Insurance companies are divided into two categories as follows:

1. **Life Insurance**

2. **Non-Life Insurance**

Now-a-days Insurance has become a vital subject. The importance of insurance has been gradually felt by the people from all walks of life but the approach to Insurance differ from person to person and it mainly depends on the fact whether he/she is a risk taker or risk averter.

Now a stage has come where large scale manufacturing and trading cannot be undertaken without proper insurance coverage. There is a dire need for studying the various policies of general insurance.

**RISK**

Human life and material possession are continually exposed to loss or damage by numerous destructive forces. There is a great deal of uncertainty in

\(^3\)Deodhar and Abhyankar, Indian Financial System, Himalaya Publishing House, p.206 2001
life, in commerce and industry. It is an undisputed fact that this is inherent in the modern complex society. Uncertainty is a fundamental fact of life. Human beings are aware of this uncertainty and hence they show a strong desire for security both for their lives and for their possessions.

With a concern to the ordinary man on the street, Varma and Agarwal say, “Risk means exposure to danger. But for insurance purpose, risk means uncertainty about financial loss. Financial loss may take several forms like physical loss, loss of profit, legal liability and bodily injury etc.

There are four methods of dealing with the problem of risk:

1. Avoidance: The simplest way to deal with the problems of any risk is to avoid it altogether.
2. Loss Prevention and reduction: Financial consequences of risks may be eliminated or minimised through various loss prevention and loss reduction measures.
3. Retention: One may decide to create a fund called SELF INSURANCE FUND in which losses are paid as and when they occur.
4. INSURANCE: The risk is transferred to the insurance company in this method.
Insurance contract is a contract whereby, in return for the payment of premium by the insured, the insurers pay the financial loss suffered by the insured as a result of occurrence of unforeseen events.

The problem of risk can be minimized to some extent and it cannot be eliminated altogether. Insurance is a method in which a large number of people exposed to a similar risk make contributions to a common fund out of which the losses suffered by the unfortunate few, due to accidental events are made good.

INSURANCE INDUSTRY – AN OVERVIEW

The growth of insurance industry is associated with the general growth of industry, trade and commerce. Insurance industry assists the development process of an economy. Basically, insurance industry acts as a facilitator of savings, financial intermediary, promoter of investment activity, stabilizer of financial market, risk manager and an agent to allocate capital resources efficiently although the insurance industry has grown rapidly in the industrial countries. Its growth in developing countries has neither been satisfactory nor in tandem with the growth of other sectors of the economy. The slow growth of insurance services in developing countries calls for an in-depth analysis of its nature and pattern of evolution of these services. Policies pursued to develop the
insurance industry and constraints thereof also need a thorough examination. Despite the fact that general insurance services started in India about 150 years ago their growth has been dilatory, as well reflected by its low insurance penetration and density. Several factors are responsible for this state of affairs, the chief being the monopoly status of the industry till recently” Organization structure is the source of the most cunning, premeditated and potentially most destructive type of change resistance.4

The process of liberalization and globalization of the Indian economy started in right earnest in mid 1980’s. The market mechanism was the motivating factor underlying the new economic policy. In consonance with the new economic policy, insurance sector was opened up for the private sector in 1999. The new competitive environment is expected to benefit the customers, industry and the economy at large. The privatization and liberalization move in India is not only in line with the reform of the economy, including other sectors in the financial services industry, but also in line with the government’s efforts to meet international best practices in insurance regulator and supervision.

Contemporary issues in Insurance

Recent years have heralded a period of unprecedented changes in India’s financial landscape. Consequent to the reforms on the banking sector and the stock market a new era of insurance has been inaugurated in the Indian scenario. Not only has the environment within which the insurance industry undergoes a sea change, but it also accompanied changes within the industry itself. With the growing awareness among consumers, most significant changes within the industry necessitate transition in the pattern of distribution and the developments of new forms of protection. The insurance market in India has picked up really impressive prospects as India is endowed with the huge untapped market. It is clear that the face of Life Insurance in India is changing. But with the changes come a host of challenges. The credible players with a long term vision and a robust business strategy alone, can yield an impact in the business pursuits.

Despite its one billion population and more, India still has a low insurance penetration of 1.95 percent. It is an un-coordinated phenomenon in India that out of saving rate of 25 percent less than 5 per cent is spent on insurance. The Confederation of Indian Industry’s (CII) expert group on insurance has estimated the aggregate insurance market at a conservative figure of Rs.1,88,700 crores by 2009 – 2010. The life premiums are said to touch Rs.1,45,000 crores by that year.
which constitutes a 76.8 percent of the aggregate insurance market. The non-life premiums are said to touch Rs.38,600 crores which constitute a 20.4 percent of the aggregate insurance market. Personal line insurance are expected to reach Rs.5,100 crores which form a 0.02 percent of the aggregate insurance market.

Nevertheless the total picture of insurance sector in India has got blurred and the future plans for the industry yet to be unfolded. While the new players and the international community are anticipating further positive changes it is still a matter to be theorized for Indian Insurance Companies. We must contemplate along the lines as to how quickly, in what manner and to what extent we bound to respond to the rapid global developments. The proposed reforms in the insurance sector were opposed so vehemently that at one stage one wondered whether the sector would be opened up at all. In effect it exposed a conflict of ideologies between those who opposed reforms of any type and those who considered reforms as mandatory and priority centered on the national agenda.
The insurance sector offers the following job opportunities:

1. The Actuary
2. Professional under writers
3. Marketing of Insurance Polices
4. Software Professionals
5. Investment Professionals
6. Administrative Officers
7. Development Officers
8. Insurance Brokers
9. Insurance Surveyors and
10. Insurance agents.

Therefore, the new setup will have an entry of more players in the insurance sector which offer opportunities for rapid growth of Insurance business and massive mobilization of savings. It will also provide substantial support to infrastructure projects involving long term investments and scope of insurance business in rural sector.

The new scenario offers bonanza of opportunities for skilled and highly motivated facilitators in Insurance Sector. “To stay in business the players need to
constantly reinvent themselves with the changing dynamics of the market. Globalization has augured well for the industry and the consumers. The competition can make life easier for the consumers in the coming years.\(^5\)

“In a competitive environment, since the customer to the focus of business, not only do marketing practices acquire critical importance but the manner in which the customer is served also needs close attention. The consumer has great international exposure and is now much better informed.”\(^6\)

The change in the structure of the nationalized insurance industry is more concretized with the entry of foreign companies into the Indian market in the form of joint ventures.

It is pertinent to note that India has reached the cross roads that insurance companies can no longer operate with given confined national boundaries. Companies from developing countries must align their work culture and their policies and procedures with those of the participating companies from developed countries. This peculiar situation now compels significant changes in areas such as their role and their ownership pattern. It also involves the question of redesigning strategies and policies appropriate for an open regime. Change

spreads across a vast canvas. In other words changes should not be and cannot be limited to only some areas but should be comprehensive covering all aspects because they are so interrelated.

The insurance policies have to be priced correctly to ensure on the one hand that the insured do not end up paying more. On the other hand the insurers have sufficient funds with them to pay the claims of the insured when the need arises. Correct pricing ensures credibility and stability in the insurance market. This in turn reinforces the confidence of the insuring public.

The term and conditions of the insurance offer are to be standard, uniform and clear enough. This would enable the customers not confused by rosy looking promises, the sunken meanings of which they are unable to evaluate. Thus, the insured’s interests are protected by such standardization of products. Section 64UC of the Insurance Act, gives the ‘Tariff Advisory Committee’ powers to collect statistics from the insurance companies to send its people to collect data, audit or verify the accuracy of the information submitted.

As rightly observed by Anthony Jacob’, ‘competition has become an essential ingredient in the present scenario with guaranteed benefits to the customer and society at large. It is evident that the customer has a wider menu
to choose from and customer service bench marks have begun to improve as a result of competitive pressures. Even for companies, it is beneficial to have others sharing the responsibility of increasing awareness initiating policy changes and forcing insurers to recognize customers’ needs.\textsuperscript{7}

The ultimate objective of reforms is aimed to increase insurance density and insurance penetration levels by designing more tailor – made products for customers both individuals and institutions.

The insurance density is positively correlated to the per capita income which is quite a large in India. Even on this augment it is surprising to observe that the Indian Insurance density is lower than some of the other developing countries whose per capita income is still lower than India.

The main reason for such low penetration in India is ineffective distribution and marketing game plans and its monopolistic nature. The need for serious marketing efforts never felt, besides the lack of awareness and non-affordability of the common man. Another important reason for this strange paradox is the poor understanding of the concept of Insurance in India. Unless purpose and

advantages of insurance are fully perceived it would be naive to believe that we are spearheading in the development of insurance sector in India.

As per the figures available with IDRA for the period ending August, 2005, the 13 private players have grabbed nearly 24 percent market share from LIC in terms of premium underwritten as against 17.70 percent in August 2004.

Table 1.1.PRIVATE JOINT VENTURE INSURANCE COMPANIES

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Company</th>
<th>Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Indian</td>
</tr>
<tr>
<td>1.</td>
<td>ICICI Prudential</td>
<td>ICICI</td>
</tr>
<tr>
<td>3.</td>
<td>HDFC Standard Life</td>
<td>HDFC</td>
</tr>
<tr>
<td>4.</td>
<td>Alliance Bajaj</td>
<td>Bajaj</td>
</tr>
<tr>
<td>5.</td>
<td>Birla Sun Life</td>
<td>C.K.Birla Group</td>
</tr>
<tr>
<td>6.</td>
<td>Tata AIG Life</td>
<td>Tata</td>
</tr>
<tr>
<td>7.</td>
<td>OM Kotak Mahindra</td>
<td>Kotak Mahindra</td>
</tr>
<tr>
<td>8.</td>
<td>AVIVA Life</td>
<td>Dabur</td>
</tr>
<tr>
<td>9.</td>
<td>ING Vysya Life</td>
<td>Vysya Bank</td>
</tr>
<tr>
<td>10.</td>
<td>SBI Life</td>
<td>SBI Bank</td>
</tr>
</tbody>
</table>
11. AMP Sanmar | Sanmar Group | GIO (Australia)  
12. Metlife | MA Chidambaram | Met Life (USA)  
13. Sahara Life | Sahara India  

Source: Deccan Herald, dated 14.05.2005 and The Economic Times, 21.03.2004

The liberalisation of insurance sector has provided vast opportunities with a variety of challenges to both private players and the state incumbent LIC to prove themselves with their own innovative strategies in covering a wider market with different segments.
According to a study conducted by ‘Foundation for Research, Training and Education’ (FORTE) 80% of the population does not have insurance in rural areas of India.

Federation of Indian Chambers of Commerce and Industry (FICCI) and ING Vysya (Insurance) have conducted a survey and concluded that insurance

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**Table 1.2. Market Share of Private Players and LIC (%)**

<table>
<thead>
<tr>
<th>Insurance Company</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Prudential</td>
<td>6.91</td>
</tr>
<tr>
<td>Max New York Life</td>
<td>1.28</td>
</tr>
<tr>
<td>HDFC Standard Life</td>
<td>2.98</td>
</tr>
<tr>
<td>Alliance Bajaj</td>
<td>4.73</td>
</tr>
<tr>
<td>Birla Sun Life</td>
<td>1.72</td>
</tr>
<tr>
<td>Tata AIG Life</td>
<td>1.66</td>
</tr>
<tr>
<td>AVIVA Life</td>
<td>1.08</td>
</tr>
<tr>
<td>ING Vysya Life</td>
<td>0.54</td>
</tr>
<tr>
<td>SBI Life</td>
<td>1.46</td>
</tr>
<tr>
<td>AMP Sanmar</td>
<td>0.46</td>
</tr>
<tr>
<td>Others</td>
<td>1.4</td>
</tr>
<tr>
<td>LIC</td>
<td>76.07</td>
</tr>
</tbody>
</table>
companies need to examine alternative and innovative marketing methods to serve the rural markets. This study also observed that inadequate success in establishing their credibility in rural markets has made life tough for the private insurance players.

It has become the need of the hour that the organisation should focus on Customer Relationship Management strategies and inculcate the organisation culture of being customer friendly not in letters but in practice.

Insurance has undergone a massive metamorphosis in the recent years. Insurance so far realized to be merely an instrument to avoid tax, has assumed the status of promotional prospectus and security of one’s life. Strategies have to be adopted based on the dynamics of the market trends.

**Evolving Strategies and Emerging Scenario**

Liberalisation of economy has thwarted the challenges which posed threat to the insurance business in India. Today’s insurance market scenario is governed by the following factors:

- Changing customer behaviour
- Deregulation and intervention of Government
Competition technology

Distribution networks

Automation and

Client relationship and quality.

Customer profiles are changing radically due to change in Life style and adaptation of social patterns.

The gender variation plays a vital role with the attitude of customers. Female population is 933 for every 1000 Males. Nevertheless the percentage of insured female population is not according to the proportion of total population. Among the males, priority for insurance is triggered for the sake of income tax exemption, rebate for housing loan and similar purposes.

Seventy four percent of Indian population dwells in rural areas, owing to the lack of awareness; problems related to logistics are some of the issues that hinder developments of insurance market in rural sector. The crucial factor that drives the majority of urban population towards insurance is tax benefit. This factor fails to function in rural India, as the major income source of rural population is from agricultural products which are exempted from tax.
Another factor that prevents rural masses from entering into the benefit zone of insurance are their paying capacity, mode of payments spread of risk etc. According to Mishra, Director NIA, probably the most important aspect for a micro – insurance scheme is the paying capacity of its members. Affordability of premiums is a pre- requisite in any insurance scheme, but it assumes more significance due to the economic status of the target group. More suitably the scheme has to provide a reasonable level of benefit to its members. Balancing these two aspects is a delicate task.

Fierce Competition is propelling the Indian Insurance Companies to differentiate themselves from one another. But in matter of service it is difficult to govern the situation. Typically any new service or product offered by a company can be easily copied by competitors. Insurance is a sector where product and services are more or less commoditized. Whenever a company comes out with an innovative product in no time competitors launch similar products. In such a circumstances branding helps the customers choose an insurance company over its competitors.

The rapidly changing economic scene, the political attitudes, social values and structures, cultural pattern as well as developments in information
technology have transformed styles in urban as well as in rural areas. Their collective impact introduces an element of ascertaining in the possible developments in the insurance sector.

The insurance industry is already in a flux and a thorough analysis is required to predict or the uncertainty to assess the accuracy of the shape of things to come.

Broadly, it is expected that the scene will be marked by the following developments:

(1) The character of the industry will change in the wake of transition from a controlled to a competition driven market.

(2) With several new players, the foreign insurer will create a joint venture route.

(3) The range of product and services offered will widen.

(4) Radical restructuring is inevitable for the present public sector set up.

(5) The industry will be closely regulated but not controlled and

(6) The public sector units will seriously have to set about preparing themselves to face competition.
Replacement of reinsurance contracts by financial instruments, sale of insurance through unconventional distribution channels and consolidation through mergers and acquisitions are new domains of challenges of insurance industries.

The most significant and potentially influential development since its nationalisation is that the insurance industry in India, which until the end of 2000 was a Government monopoly is now experiencing the emergence of a competitive market. The industry has now entered its most momentous phase and its market dynamics are constrained to be flexible.

Palande et al., (2003) observed that ‘one can foresee tremendous development of the sector in terms of the market, the number of players, the products and services offered by them, market innovation and professionalism'.

It is natural that a common man expects better service from the insurer, no matter whether it is private or the public sector.

As rightly observed by Palande et al., (2003), ‘Increased competition is breaking down the conventional barriers between institutions like insurance, banking, development banking and stock market transactions. All the services are

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offered through one agency or by different entities but through one window or under one roof as an integrated package – a sort of one stop service. Sellers of various non insurance services will also try to weave in an element of insurance to cover in their transactions. Moreover, the insurance companies may no longer remain just life or non-life insurance companies.\footnote{Ibid., pp.415-416.}

Owing to family disorganisation, in many countries insurance is fastened to mutual fund and retirement plan schemes. This kind of individual independency was bound to happen in India too, as people come to depend more on their own savings and less on their children for their old-age requirements. An increase in consumer education level could necessitate a rise on ordinary people’s risk evaluation and long range planning skills.

Banc assurance, a French term for the selling of insurance by banks, is catching up in some European countries. The concept involves merging the two activities of banking and insurance. In U.K. banc assurance has grown at an average annual compound growth rate of 21 percent per annum in the last five years. In future banc assurance could be an important factor in promoting the growth of life insurance industry. The insurance industry has to face this challenge since banc assurance is currently being considered as a possibility in
India too. Life insurance companies deal with savings and investment and so do the banks. Thus, there is a potential synergy between their operations. The ability to distribute its products at an economical rate is crucial to the insurance business and this is where Indian banks with their wide network of branches have tremendous strength. The bigger banks have branches spread across the length and breadth of India, distribution through which can be less costly than through the traditional agency force. The large banks rekindle a great deal of trust and hence banc assurance could offer a new opportunity for them to improve the productivity and profitability of their branches. A branch manager, especially of a rural or semi urban branch is often regarded as an investment consultant and this relationship can be leveraged for selling insurance.

Distributing insurance is not as easy as it may appear on the face of it. Insurance products, especially life insurance need to be sold rather than bought, for which strong selling skills are required.

Managing insurance business requires very high technical and management skills. One handicap with the banks is that most of them lack experience in developing products, face-to-face selling and setting claims. The core competency necessary for this enterprise indubitably needs a long gestation
period and necessitates patience and capability to lockup large resources for a long period of time.

As banks do not have any strength in managing liabilities, it is advantageous for bank to tie up with reputed insurance companies, rather than enter the business of their own. The customer base, reputation and distribution channel of the banks provide added vigour to these arrangements.

To what extent the entry of banks will affect the insurance companies is still camouflaged due to intertwined complexities, of the two concerns. The experience in this regard with the Western countries is non-overlapping. For, instance, European banks have had successful experience with life insurance. In France more than half of life insurance premium is obtained through banks. In Sweden 6 per cent of premiums are obtained through banks and that of Spain is 35 per cent. If the banks could cater to the needs of the large rural population and the equally large middle income classes, they could achieve a measure of successes in India too.

Marketing has never been a strong point in the Indian Insurance Industry or in any public sector unit. Unfortunately, all these years, because of its monopoly status, the industry has only been selling and not marketing its products. Most of
the business in the non-life sector, for instance, arises on account of statutory compulsions and as a Government monopoly. Hence, the market network of Indian insurers, though extensive, remained weak in terms of effort.

The nationalised insurance entities have arrived the evolutionary cross roads and they are the band to reform their marketing setup and strategies, flight of business. The areas of their weakness are offering opportunities for the new players. Market considerations will dictate even structural changes. Most of the present policies, procedures, practices pertaining to marketing were borrowed from the west. Many of the cover are also modeled on the pattern of products available in U.K. In the changing scenario, with the ever changing market conditions, the Indian industry is put to serve compulsion to indigenous its own models, by blending sufficient flexibility.

The anticipated changes are in the following realms:

✦ Marketing practices
✦ Fixation of premium rates
✦ Claims settlement
✦ Accounting practices
✦ Consortia arrangements
Adoption of new technologies

♦ Automation and the use of information technology

The marketing of insurance has some unique features. It has to identify uncertainties in the lives of individuals and groups and in the functioning of an economic system and offer suitable insurance covers for them. The requirement of different groups of insurance seekers is diverse in nature. Consumers require insurance-linked savings with reasonable returns to take care of their consumer needs, old age and some periods of uncertainty in their lives. Social regulations require employers to the lives of their employees by obtaining group life insurance covers for them. Credit institutions demand insurance protection for the economic activities supported by them. With such a multiplicity of situations, uniform policies cannot fully render service to the masses.

In the life style of Indians, insurance buying is not an item of priority in an individual’s budget. Even the commercial establishment buy insurance more out of compulsions of the financing agencies or out of statutory requirements. If Indian masses are left free, individuals or groups or corporations would rather carry risks than buy insurance, because they do not like to anticipate misfortune or disaster. Hence, it is pronounced as a dictum that ‘insurance is always sold rather than bought’. 
Kanwar (2001) mentioned that, ‘it is a sad commentary on the management of nationalised industry that it has failed to simply the procedure for mass market, despite the avowed goal of nationalization, in other words to carry the benefits of general insurance to every house and homes\textsuperscript{10}, while LIC of India grew considerably, to touch upon lives of individuals the personal insurance sectors of general insurance industry did not create the market mainly ignoring to create a dynamic agency force.

Keeping in the market realities, a good marketing strategy would do well to research the products range and the channels of distribution available and determine the right blend of distribution mechanism for pushing their product line. Whatever the customers want they must get it. It is up to the good marketers to choose the channel to deliver the desired service at the doorstep of customers. There are more selling efforts necessary in insurance market than in any comparable service market.

Rao (2006) observed that ‘Insurance companies indulged in extravagant expenses and charged high prices for risk cover to people and they did not contribute to improve the public services such as public health, sanitation and

other socially-oriented programmes. Lapse ratio of the life insurance policies was high causing great national waste and loss to the insurance. In this way these insurance companies took little interest in the social security of people’.11

Rural India provides a large and latent consumer base. Rural India constitutes 70% of India’s population and 12% of the world population. The rural market in spite of its huge potential has attracted little attention and the resultant is poor insurance penetration.

The LIC in pursuance of its corporate objective of providing insurance coverage to more and more people laid greater emphasis on covering individuals who have no previous insurance coverage on their lives.

Only eight percent of the Indian population has obtained insurance coverage. Of the population, most people are underinsured. Bringing the uninsured and underinsured people within the insurance net is the key to growth in the industry and even in an otherwise slow moving economy, insurance industry has been an exception with the growing awareness Indian consumer perspective to insurance it also changing. The biggest challenge that the

insurance companies face today is to build awareness on life insurance as a means for risk protection.

According to James, Managing Director, **Allianz Bajaj Life Insurance**, ‘Equipped with the choice of selecting the insurance provider, customer today are more demanding and expect high standards of service and value of satisfaction. Consequently new avenues in the realm of insurance have been created and business opportunities explored. All these paved the way to the establishing of a vibrant and customer friendly insurance business environment in the country.

The opening up of the sector and the entry of private players has resulted on the consumer becoming more aware of the need for insurance. From the customer point of view declining interest rates have made investments in fixed deposits and other traditional savings products less attractive. The stock market has continued to be volatile and safety of investments has been a key concern for investors. Insurance companies on the other hand are offering good investment options with the added benefit of risk management. All these factors have resulted in an attitudinal shift in the need for insurance among the Indian masses.

Insurance is increasingly viewed by the consumers as a complete wealth management tool. Consequently consumers opt for different products from a
large menu, in accordance with their varying needs and the stage of life they are in.

When private life insurers first entered the market, they introduced simple familiar products; subsequently company like ICICI Prudential launched more flexible feature laden products that were designed to meet out specific needs. This has led the insurance market to a more nature level of product sophistication.

The insurers have come forward to take their obligations under the rural and social sectors seriously. Insurers have introduced concepts like ‘gram sevaks’ in different villages across the country to act as their sales arm.

Easy term policies are being offered at very low rates of premium to provide life cover. These methods with their warrants will be adopted in the coming years, promise well for the development of this special market.

Management expenses of public sector insurance companies have continued to exceed the statutory prescribed ceilings. This has been attributed by the companies to increase in salaries of officers and staff.
The government now encourages participation of private sector in the insurance market and permits limited foreign ownership of local insurance firms. With rigid licensure, solvency, investment and accounting requirements in place insurance firms now focus on how to increase their operating efficiency and financial soundness for a long term success in the Indian Market.

The deregulated and liberalized market environment pressurizes insurers to increase their efficiency and be more competitive while such a competition does not necessarily lead to market distortion.

The insurance industry plays an important role for the economy that is placed in transition toward a liberalised and competitive economy.
Price behaviour

The present system of fixing premium rates is almost inflexible and needs to be oriented towards the market. In case of LIC, there is at least an actuarial basis for determining the rates. In the case of non—life companies, the rates appear to be decided almost on an adhoc basis. There is no doubt that the pricing structure itself will undergo a major change. To put it in a nutshell in an open market, price driven costing will replace today’s cost—driven pricing. The companies will be compelled to reduce prices in an effort to increase their market share. Such lowering of prices yields an important benefit of competition for the customer.

The three main factors that decide the premium rates under a life insurance plan are mortality, expenses and interest. Significant changes in any one of them result in a revision of premium rates. Other aspects like bonus loading, taxation and inflation also contribute to the pricing exercise. Despite the ground reality of premium rates the life company has to take special care to keep costs under control. In spite of insurance lowered premium rates without profit policies and an increase in the bonus amount for life policies, consumers are still of the opinion that the cost of insurance is high.
The factors of general insurance product pricing are claims cost, business acquisition costs, management expenses, reserves and margin for fluctuations in claims, governance and profit. The general perception is that in this arrangement the consumer unnecessarily has to pay higher prices for non-life products. Tariff also warrant rigidity in the market and are seldom revised in response to changes in the market.

A book on ‘Art of War’ written by Chinese general Sun Tzu around 2000 years ago says, ‘generally he who occupies the field of battle first and awaits his enemy is at ease, and who comes later to the scene and rushes into the fight is weary’. Altruistically the marketing of an insurance company should maintain the above mentioned ‘war strategy’. This strategy should be in tune with the growth of the customer awareness as customer base is growing. There is an urgent need for change in the landscape of service norms and to reduce the transaction cost and to get closer to the customer. The concept of socialism must be crept in to customer service, which must pave way to customer segmentation with differential value added service deliveries.
According to ShankaraRaju (2004), Theme Editor, ‘The Concept of marketing envisages the utilization of new Business opportunities, new markets, new frontiers of efficiency and customer service and new ways of working.

The present marketing strategy has driven the insurers to redefine the organisational focus on innovation and differentiation, international expansion, risk management, proliferation of delivery channels, process re-engineering and create an environment for innovation and collaboration and e-leadership and in creating virtual teams and empowering best brains as decision makers.

The business environment of insurance has undergone a substantial change in the years after the economy was thrown open for integration with global economy. The economic forms have given birth to an era of consumerism.

The insurance business in India is in a transition stage. The insurers need to focus on ‘transition facilitation’. The need to address the issues truthfully, on the basis of their study on unfiltered feed back. Appropriate strategies must be arrived on the basis of happening at all levels.
According to Machiraju (2004) most of the major problems confronting the life insurance business in today’s situation are marketing oriented, especially the intermediary channels, current and emerging\textsuperscript{12}.

This is an activity of market research on customer expectations and customer satisfaction. This would result in new product development, withdrawal of existing products if necessary and amendments to existing products. This would subscribe to addition of new benefits, in an existing plan or policy.

The emerging new trends in servicing:

(a) one can pay premium at any branch office and the premium will be accounted in the policy records

(b) one can pay future premiums in advance and enjoy a discount too

(c) premium payment through internet

(d) premium payment through ATMs

(e) IVRS and information Kiosks offer policy information

(f) loan facility introduction in money back policies

(g) Increased accident benefit has been raided to Rs. Fifty lakh rupees

(h) Survival benefit claims are paid without insisting on policy bonds

(i) Early claims settlement i.e. before the commencement of due date

(j) Bench marks are fixed and revised for various servicing aspects voluntarily and citizen’s charter is declared

(k) Effective grievance redressal machinery is introduced

(l) Customer relations manager are appointed

The above list is not exhaustive but contains dominating factors that fine tune the relationship between the insurer and the customer
Table 1.3. Number of lives covered and number of policies marketed

(in lakh)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>84.55</td>
</tr>
<tr>
<td>2001-02</td>
<td>92.55</td>
</tr>
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<td>2002-03</td>
<td>107.53</td>
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<td>2003-04</td>
<td>125.35</td>
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<td>162.30</td>
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<tr>
<td>2006-07</td>
<td>191.80</td>
</tr>
<tr>
<td>2007-08</td>
<td>202.42</td>
</tr>
<tr>
<td>2008-09</td>
<td>185.92</td>
</tr>
</tbody>
</table>

Source: The Annual Reports of LIC of India

Table 1.4 First Insurance – Number of Policies Marketed

(in lakh)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Policies Marketed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-01</td>
<td>1,22,80,772</td>
</tr>
<tr>
<td>Year</td>
<td>Value</td>
</tr>
<tr>
<td>--------</td>
<td>-----------</td>
</tr>
<tr>
<td>2001-02</td>
<td>1,38,25,198</td>
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<td>2002-03</td>
<td>1,48,57,043</td>
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<td>2,42,78,775</td>
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<tr>
<td>2007-08</td>
<td>2,64,67,882</td>
</tr>
<tr>
<td>2008-09</td>
<td>2,18,31,774</td>
</tr>
</tbody>
</table>

Source: The Annual Reports of LIC of India

Insurance sector reforms

When the insurance business was made open to the private sector of domestic and international there was a high hope and great expectations in the market.

The Insurance Regulatory Development Authority of insurance was first conceptualised as a tool for problem against financial loss of sea hazards involved in foreign trade. It is basically the unforeseen contingencies of human life that has given a totally new looked to the insurance industry. Gradually as competition increased the benefits given by the industry to its customers improved by leaps and bounds.
The journey of insurance liberalisation process in India is now eleven years old. The first major milestone on this journey has been the passing of Insurance Regulatory and Development Authority Act, 1999. This along with amendments to the Insurance Act, 1938, LIC and GIC Acts paves the way for the entry of private players and possibility for privatisation of the hitherto public monopolies LIC and GIC. Opening of insurance to private sector including foreign participation has resulted into various opportunities and challenges.

In 1993, Malhotra Committee headed by former finance secretary and RBI Governor, R.N. Malhotra, evaluated the Indian Insurance industry and recommended its future direction. The Malhotra Committee was set up with the objectives of complementing the reforms initiated in the financial sector.

The reforms were aimed at, “Creating more efficient and competitive financial system suitable for the requirements of the economy keeping in mind the structural changes currently underway and recognizing that insurance is an important part of the overall financial system where it was necessary to address the need for similar reforms”. In 1994, the committee submitted the report and some of the key recommendations included the following components:

1. Structure
• Government stake in the insurance companies is to be brought down to 50%.
• Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations.
• All the insurance companies should be given greater freedom to operate.

2. Competition

• Private companies with a minimum paid up capital of Rs.1 billion should be allowed to enter the industry.
• No company should deal in both life and general insurance through a single entity.
• Foreign companies may be allowed to enter the industry in collaboration with the domestic companies.
• Postal life insurance should be allowed to operate in the rural market.
• Only one state level life insurance company should be allowed to operate in each state.

3. Regulatory body

• The Insurance act should be changed.
• Establishment of a strong and effective insurance regulatory body in the form of a statutory autonomous board on the lives of SEBI.

• Controller of Insurance (Currently a part from the Finance Ministry) should be made independent.

4. Investments

• Mandatory investments of LIC - life funds in Government securities to be reduced from 75% to 50%.

• GIC and its subsidiaries are not to hold more than 5% in any company.

5. Customer Service

• LIC should pay interest on delayed payments beyond 30 days.

• Insurance companies must be encouraged to set up unit linked pension plans.

• Computerization of operations and updating of technology to be carried out in the insurance industry.

The committee strongly felt that in order to improve the customer services and increase the coverage of the insurance industry should be open up competition. But at the same time, the committee there felt that the need to exercise caution as any failure on the part of new players could ruin the public
confidence in the industry. Hence, it was decided to allow competition in a limited way by stipulating the minimum capital requirement of Rs.100 crores. The committee felt the need to provide greater autonomy to insurance companies in order to improve their performance and enable them to act as independent companies with economic motives. For this purpose, it had proposed setting up an independent regulatory body.

6. Impact of globalisation of insurance sector in India

Globalisation will have mixed blessings for India. It will provide new opportunities for players but also simultaneously bring threats against national interests.

7. Opportunities

Opening up of the sector will ensure a larger flow of funds in two ways:

1. More investment will take place in the sector. Further through competition, a larger portion of savings will find its way into infrastructure through insurance companies.

2. After the nuclear tests, the Government needs to hold out a hand of friendship to the West to achieve aims related to national security.
3. Insurance is a highly visible industry and the fact that in spite of motivated opposition, the Government is prepared to go ahead lends a positive signal to foreign investors, even if they are not in insurance. In the medium term, insurance companies are traditionally major players in stock markets. LIC and GIC make substantial investment in stocks. One half-a-dozen companies come and start opening, the size of the pie would become large and huge investible funds would come in. They invest in stocks with relatively steady earnings and a strong asset base.

4. The biggest benefit will be to the stock market because of the actual investment flowing into infrastructure development. When longer term insurance money flows into these areas, there would be stupendous impetus to growth. When GDP grows, the stock markets will grow in tandem.

5. The opening up of the insurance sector by the Government of India to private and global players leads to phenomenal growth in terms of number of new players and new products and services.

However, when we open the doors for insurance were to protect our own national long term interests.
8. Threats

- There is a fear that there will be flight of capital from India, to ensure, against this we should stipulate that capital and dividend repatriation should start only after some years. It is also necessary to ensure that domestic capital raised through premium is not repatriated.

- The foreign insurers will cream the market. A level playing field between LIC and GIC and other foreign companies should be ensured.

- The biggest fear is ownership, that is foreign insurers do not control the management of the insurance company through back door.

COMPANY PROFILE

BIRLA SUNLIFE INSURANCE

Birla Sun Life Insurance Company Limited operates as a private life insurance company in India. It offers linked and non-linked life insurance, protection solutions, children’s future solutions, health and wellness, retirement, and riders solutions; wealth with protection plans; rural solutions; and NRI solutions. The company markets its products to individual, health, and group businesses through individual agents, corporate agents, banks, brokers, and other intermediaries. The company was founded in 2000 and is headquartered in
Mumbai, India. Birla Sun Life Insurance Company Limited is a subsidiary of Aditya Birla Nuvo Limited.
One India bulls Center, Tower I
15th and 16th Floors
Jupiter Mill Compound
841, S.B. Marg, Elphinstone Road
Mumbai, 400013
India

Founded in 2000
12,867 Employees
Phone: 91 22 4356 9000
www.birlasunlife.com

Key Executives for Birla Sun Life Insurance Company Limited

Mr. Jayant Dua
Managing Director

Mr. Mayank Bathwal
Chief Financial Officer

Mr. Amitabh Verma
Chief Operating Officer and Member of Policyholders' Protection Committee

Mr. Snehal Shah
Senior Vice President of Special Projects

Ms. Keerti Gupta
Head of Risk
Birla Sun Life Insurance Company Limited reported earnings results for the second quarter and six months ended September 2012. For the quarter, the company reported gross premium income of INR 12,200 million compared to gross premium income of INR 15,330 million for the same period a year ago. Net premium income was INR 11,460 million compared to INR 14,690 million last year. Revenue was INR 11,770 million compared to INR 14,790 million last year. Earnings before tax was INR 1,450 million compared to INR 970 million last year. Net profit was INR 1,450 million compared to INR 970 million last year. For the six months, the company reported gross premium income of INR 23,500 million compared to gross premium income of INR 27,160 million for the same period a year ago. Net premium income was INR 22,080 million compared to INR 26,020 million last year. Revenue was INR 22,650 million compared to INR 26,200 million last year. Earnings before tax was INR 2,920 million compared to INR 2,420 million last year. Net profit was INR 2,920 million compared to INR 2,420 million last year.
Birla Sun Life Insurance Company Limited reported earnings results for the fourth quarter and full year ended March 31, 2012. For the quarter, the company has posted revenue of INR 17,170.0 million against INR 17,680.0 million a year ago. EBIT was INR 1,220.0 million against INR 1,550.0 million a year ago. Earnings before tax were INR 1,170.0 million against INR 1,480.0 million a year ago. Net profit was INR 1,170.0 million against INR 1,490.0 million a year ago. EBITDA was INR 1,220 million against INR 1,550 million a year ago. For the year, the company reported its gross premium income grew by 4% to INR 58,850 million. Earnings before tax surged by 51% to INR 4,610 million led by expanded in-force book. Revenue was INR 56,910.0 million against INR 55,340.0 million a year ago. EBIT was INR 4,860.0 million against INR 3,420.0 million a year ago. Net profit was INR 4,610.0 million against INR 3,040.0 million a year ago. EBITDA was INR 4,860 million against INR 3,420 million a year ago. Having attained a strong growth in profitability, the company has declared its maiden dividend of INR 985 million at 5% of paid up capital.
KarurVysya Bank Enters into Agreement with SBI and BSLI

KarurVysya Bank Limited has informed the Exchange that the Bank has signed an MOU with SBI life Insurance Company in providing GMRA policy cover to the Bank’s Housing Loan Customers under group insurance. The Bank have also executed a master policy with Birla Sun Life Insurance Company Limited for offering the GMRA policy under the Group insurance.

Similar Private Companies by Industry

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sezal Insurance Broking Ltd.</td>
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<tr>
<td>Puri Crawford &amp; Associates India Private Limited</td>
<td>Asia</td>
</tr>
<tr>
<td>IFFCO-TOKIO General Insurance Company Limited</td>
<td>Asia</td>
</tr>
<tr>
<td>Bharti AXA Life Insurance Company Limited</td>
<td>Asia</td>
</tr>
<tr>
<td>Nav Bharat Vanijya Limited</td>
<td>Asia</td>
</tr>
</tbody>
</table>

Bajaj Allianz General Insurance Co Ltd

Incorporated in 2001, Bajaj Allianz is general insurer with headquarters in Pune, India. Bajaj Allianz General Insurance is a 74:26 joint venture between Bajaj Finserv (demerged from Bajaj Auto) - financial service provider and Allianz Group-
Germany’s integrated financial services provider. Bajaj Allianz has 74% stake while Allianz has the rest 26% stake in the equity venture. Bajaj Allianz has also received iAAA rating from ICRA (rating and grading company) in 2006, 2008. This rating indicates financial ability of a company to meet policyholder’s obligations.

**Bajaj Allianz Product Portfolio:**

Motor Insurance: Motor Insurance provides cover for loss or damage to the vehicle as well as protects against third part liability. Bajaj Allianz provides insurance for both car and two-wheeler and can be purchased online.

**Health Insurance:** This covers medical expenses which arise on hospitalization due to illness or accident. Bajaj Allianz has many types of health insurance namely Individual Health Guard, Health Insure, Extra Guard, Family Floater Health Guard, Critical Illness, Star Package, Personal Guard, Tax Gain, Life+Health Insurance, Hospital Cash, Silver Health, Insta Insure and SankatMochan.

**Travel Insurance:** This provides coverage for travel related risks which include medical illness, loss of baggage, personal accident, personal liability and many more. Bajaj Allianz travel insurance products are Travel Companion, Travel Elite and Student Travel.
**Home Insurance:** This provides cover for one of your most valued possession—your house. Bajaj Allianz home insurance is called Easy Householders Package Policy.
**Distribution Network:**

Bajaj Allianz has extensive distribution network with more than 200 offices pan India. Most of Bajaj Allianz products can be purchased online.

**Financial Information:**

The total premium earned for the half year ended September 30, 2010 was Rs 9,292 million. The profit before tax for the same period is Rs 992 million. A total of 220,653 claims were made during the period out of which 146,520 claims were settled and 76,378 were still left pending.

**Achievements:**

- Bajaj Allianz General Insurance has received the prestigious "Business Leader in General Insurance", award by NDTV Profit Business Leadership Awards 2008.

- The company was one of the top three finalists for the year 2007 and 2008 in the General Insurance Company of the Year award by Asia Insurance Review.

**Management:**

Hemant Kaul is the CEO of Bajaj Allianz General Insurance.

S Sreenivasan is the CFO of Bajaj Allianz General Insurance.
Ashish Goyal is the CIO of Bajaj Allianz General Insurance.
KOTAK MACHINDRA INSURANCE COMPANY

Kotak Mahindra Insurance Company or Om Kotak Mahindra Life Insurance is a 74:26 joint venture between Kotak Mahindra Bank Limited India and Old Mutual PLC- a leading global financial services provider.

Kotak Mahindra Bank Limited (KMBL) is the flagship venture of Kotak Mahindra Group. The group is a full-services financial group providing a wide array of services and products to institutions, banks, corporates and individuals. Kotak Mahindra has overseas offices in New York, London and Dubai. Along with a joint venture for life insurance and general insurance services with Old Mutual PLC, Kotak Mahindra also has joint ventures with leading international players Goldman Sachs for Investment Banking &Brokerage, and Ford Credit International for Automobile Finance.

Kotak Mahindra Bank Limited

Coming to the other JV partner Old Mutual PLC, they bring with them 157 years of international experience in life insurance services. Based in London, Old Mutual PLC is expanding its realm across the globe with inclusive services in life assurance, asset management, banking and general insurance.

Kotak Mahindra Insurance Services
The net result we have is Kotak Mahindra Insurance Services with various products customized for the insurance seekers. These include:

- Kotak Endowment Plan
- Kotak Money Back Plan
- Kotak Term Assurance Plan
- Kotak Term Groupplan
- Kotak Preferred Term Plan
- Kotak Credit-Term Plan
- Kotak Child Advantage Plan
- KotakGraminBimaYojana
- Kotak Retirement Income Plan
- Kotak Capital Multiplier Plan
- Kotak Gratuity Groupplan
- Kotak Safe Investment Plan

Kotak Mahindra insurance policies like life insurance, company insurance, medical insurance, group insurance and other general insurance products are some of the most popular insurance policies in the industry. Besides this, Kotak Mahindra brings to you other securities like bonds and mutual funds.
The distribution network of Kotak Mahindra Insurance Co Ltd includes, retail
distribution through the branches, insurance agency and individual agents
network, and insurance brokers for claim settlements. Each Kotak Mahindra
insurance agent and broker is trained in-house to provide the customers a
transparent transaction with the company.
On the Kotak Mahindra Old Mutual Life Insurance Ltd. website you will find an insurance premium payment option where you can make online payments for your insurance premiums. Also, for careers and other company info on Kotak Mahindra Mutual Life Insurance Ltd., Om Kotak Mahindra life insurance, Kotak Finance or Kotak Mahindra Group refer to the site.

For other premium payment options, you also get Skypak Drop Boxes in major cities like Ahmedabad, Bangalore, Baroda, Bhopal, Chandigarh, Chennai, Delhi, Guwahati, Hyderabad, Jaipur, Kanpur, Karnal, Kolkata, Lucknow, Ludhiana, Mumbai, Nagpur, Nasik, Pune, Rajkot, Surat and more cities joining soon. ECS or Electronic Clearing Service is also available for a hassle-free payment direct from your bank account.

CONTACT DETAILS:

Registered Office:

OM Kotak Mahindra Life Insurance Co. Ltd.
Peninsula Chambers, Peninsula Corporate Park,
6th floor, Ganpatrao Kadam Marg,
Lower Parel,
Mumbai- 400 013.

Phone: 91-22-56635000

Fax: 91-22-56635111
ICICI PRUDENTIAL LIFE INSURANCE

ICICI Prudential is a joint venture company between ICICI Bank India Ltd. and Prudential PLC UK. Having started India operations in Dec 2000, ICICI Prudential enjoys the elite position of the most trusted private sector life insurer in India. The distribution network of ICICI prudential is being expanded along with the product range and customer bank.

ICICI Prudential Products:

- **ICICI Prudential Life Insurance** has a variety of plans to suit your financial requirements and give you complete security against unforeseen circumstances.
- **ICICI Prudential Health Care Plans** are designed to help you avail the best of medical facilities in times of crisis.
- **ICICI Prudential Retirement Solutions and Pension Plans** are innovative schemes to give you complete peace of mind after retirement from work.
- **ICICI Prudential Asset Management** helps you manage your funds in the most professional manner.
- **ICICI Prudential Life time gold investment**
- **ICICI Prudential Tax saving plans** are meant to provide you the benefits of tax savings and also to invest in long-term equity.

- **ICICI Prudential Mutual funds** like ICICI Prudential Discovery Fund, Infrastructure Fund, Equity Fund, ELSS

**ICICI Prudential Branches and Offices Locator**

People need insurance to cover themselves under policies that can give returns in terms of money and security. Insurance covers almost all the possible risks and so we, common Indian men & women prefer to get insured. There are numerous insurance companies for your service. However, you will choose the one who provides you complete service without any tension and who has a wide network that can handle all the queries at any point of time. One such insurance company that comes under the ICICI brand is ICICI Prudential. The company has myriad insurance plans for people of all ages. The company provides Life Insurance, Prudential Pension Plans, Tax Savings Plans, and Mutual Funds and also helps you in Asset Management and Health Insurance. So, most of the people want to contact the agents who work with this company. Now, if you are unable to find any agent, you would like to visit one branch office of the company. Looking at the huge demand for all the services, the company has created a great and huge network by opening branches across the nation. You
can easily find one branch near your locality. The customer service of the company is also unmatched.

ICICI Prudential has set up branches and offices in such places so that you can easily access the facilities provided by the company by visiting one branch. This has been done to reach more and more customers and thus get the opportunity to increase the business. The company has also hired numerous agents and advisors who are there to help you. They have pursued proper product training and training related to all the policies and coverage. They are also well trained on any insurance related topics so that they can guide you and help you to get the appropriate policy with all the terms and conditions. You can get complete information about the products the company has from all the branches across the nation.

LIFE INSURANCE CORPORATION

Life Insurance Corporation (L.I.C) was nationalised in 1956 in order to safeguard and use the savings of the insuring public in the best interest of the nation. The provision of LIC Act 1956 applies to regulate the working of the LIC and Chapter V comprising sections 18 to 23 provide for the establishment of the Central office at Mumbai and Zonal Office at Mumbai, Kolkatta and Chennai and as many divisions
and branch offices in each zone as the Zonal Manager thinks fit and so on. There are now 41 divisions and over 650 branches.

General Insurance Corporation (G.I.C) – after nationalising the General Insurance business in 1971, the GIC was established in November 1972. It was incorporated under Companies Act, 1956 as a Government company and registered under the Insurance Act 1938 as an insurer on 1.1.1973 for transacting all classes of general insurance business.

Prior to nationalisation there were 64 Indian and 43 non-Indian companies which were merged and 4 subsidiaries of GIC were formed.

A BRIEF ACCOUNT OF LIC ORGANISATION

i. The entire organisation of LIC is classified into central office, zonal office, divisional office and branch offices.

CENTRAL OFFICE

The central office of the corporation is located at Mumbai. The decisions are made by the chairman of the corporation with the help of the Executive committee and various other committees make the decisions. The central office confines itself mainly in giving broad policy directions and co-ordinates.

FUNCTIONS OF CENTRAL OFFICE
(1) It has direct executive responsibility over a limited field.

(2) Investment policy and investing of funds in accordance with the policy are the sole responsibility of the central office.

(3) The formulation of underwriting standards, premium rate and policies on lives of sub-standard nature.

(4) Submission of statutory returns of the government, standardization of procedure form, drawing rates, policies and conditions are other responsibilities looked by the central office.

(5) Inspection of the various offices and also internal auditing of the various offices are also close by the central office.

**ZONAL OFFICE**

Seven zonal offices assist the central office in the matter of development, planning and review of business and supervision of divisional offices within their justification. The seven zonal offices and their situated places are mentioned below:

(1) Eastern zone - Kolcutta
(2) Western zone - Mumbai
(3) Central zone - Bhopal
(4) Northern zone - Delhi
(5) North central zone - Kanpur

(6) Southern zone - Chennai

(7) South central zone - Hyderabad

The two states i.e. Tamil Nadu and Kerala come under the southern zone. Each zone has several divisional offices and branch offices where activities are to co-ordinate. They are concerned with the execution of the decision arrived by the corporation from time to time.

FUNCTIONS OF ZONAL OFFICE

The following are the important functions of the zonal office:

(1) Control over the entire development and field staff and planning for business development of the whole zone (Through development at department).

(2) Advise on the personal and legal matter, management of the buildings belongs to the corporation, purchase of stationary, equipment and furniture, printing of Literature and forms etc. for the whole zone (Through secretary’s department)

(3) Completing the accounts of the zone and general guidance to all divisional office in the matter of accounting principles and procedures (Through department of accounts)
(4) Investigation of all doubtful claims arising in the zone (Through department of zonal Manager).

DIVISIONAL OFFICE:

The divisional offices are concerned with the development of new business in their respective area and also responsible for the complete servicing of the assurance policies from the time of acceptance of proposal to the time of settlement of organizational control over the branch offices under its jurisdiction and thus acts on the same basis as head offices of the former Insurers.

Twelve divisional offices performs under the control of southern zone. Among them eight are located in Tamil Nadu and remaining are located in Kerala. They are;

(1) Chennai – I
(2) Chennai – II
(3) Vellore
(4) Thanjavur
(5) Madurai
(6) Tirunelveli
(7) Selam
(8) Coimbatore
(9) Trivandrum
CHAPTER II

REVIEW OF LITERATURE

Many researchers have done their studies on various insurance schemes such as cattle insurance, fire insurance, personal accident insurance, agricultural insurance etc. The objectives, methodology, analytical tools and suggestions of a few researchers made are summarised in this chapter:

Gidhagen (1998) made an attempt to develop a conceptual framework from a relationship perspective for the study of insurance services marketing. Deregulation and internationalization have created a new, increasingly competitive business climate. The focus of this research work is on the relationship between insurance companies and their corporate customers, interesting analyses include how highly the customers value the relationship in comparison with the price level