CHAPTER – 1

INTRODUCTION

1.1 General Introduction

Insurance is the outcome constant search of men for security and finding out ways and means of ameliorating the hardships arising out of calamities. Here, the person exposed to similar risk contributes some amount periodically and those who actually face the loss are indemnified out of these funds.\(^1\)

Insurance is defined as a co-operative device to spread the loss caused by particular risk over a number of persons who are exposed to it and who agree to ensure themselves against that risk. Every risk involves the loss of one or other kind. The function of insurance is to spread the loss over a large number of persons who have agreed to co-operate each other at the time of loss. The risk can not be averted but loss occurring due to certain risk can be distributed amongst the agreed persons. The insurance, as a social device to accumulate funds and to meet the uncertain losses arising through a certain risk to a person insured the risk.

In our daily life, whenever there is uncertainty there is involvement of risk. The instinct for security against such risk is one of the basic motivating forces determining human attitudes. As a sequel to the quest for security, the concept of insurance must have been born. The urge to provide insurance or protection against the loss of life and property must have prompted people to make some sort of sacrifice willingly in order to achieve security through “collective co-operation”. In this sense, the story of insurance is probably as old as the story of mankind.\(^2\)
It is believed that insurance was practiced in India during Vedic age. The Sanskrit term “Yogakshema” (meaning well being), in the Rig-Veda indicated that some kind of insurance was prevalent among the Aryans about 3000 years ago. Manu, the greatest exponent of law, and in later times, Kautilya in his ‘Arthasastra” had laid down several rules relating to loans advanced and specifies interest rates depending on risk and length of time. The Manu Smriti also supports the system of collective co-operation as practiced by Aryans. Later the idea further developed by Yajnavalkya³.

During the Mughal period insurance took a firmer grip as references were there relating to coverage against war risks, losses due to army movement through cornfields compensated by the state as a gesture of goodwill.

The process of insurance has been evolved to safeguard the interests of people from uncertainty by providing certainty of payment at a given contingency. The insurance principle comes to be more and more used and useful in modern affairs. Not only does it serve the ends of individuals, or of special groups of individual, it tends to pervade and to transform our modern social order too. Indian insurance industry despite being state owned is yet to make an impact on the economy. The spread of insurance in our country is very limited⁴.

The year 1870 heralded the birth of the first Indian insurance company, the Bombay Life Insurance Society, which came into existence to cover Indian lives at normal rates. 1870 is more significant in another sense and an important one is that after the failure of a number of insurance companies the British Govt. enacted for the first time the Insurance Act 1870. There was an increasing demand to start a state controlled life insurance company, which the Government turned down on one plea or other².
The insurance by protecting the society from huge losses and damage, destruction and death, provides an initiative to work hard for the betterment of the masses. The masses provide capital, which is invested by the insurance companies. Adequate capital from insurers accelerates the production cycle. Similarly in business too, the property and human materials are protected against certain losses. Capital and credit are expanded with the help of a country. Thus, for the growth and development of the economy of any country insurance sector plays a vital role.

Life insurance in its modern form came to us from Europe and the USA. The first policy providing temporary life insurance cover for a period of twelve months was issued as early as 1583 A.D. in England. The Amicable Society started granting fluctuating sums upon death of the insured since 1705, and a fixed sum since 1757. As mortality table yet not been developed, eriting of life business tended to be gamble. With the development of mortality table, life assurance started acquiring a scientific character. The Equitable Society funded in 1762 was the first to be established on scientific basis.

Considering the international scenario of insurance sector for both life and non-life funds, it is Japan, which dominates in the insurance sector followed by United States, Germany, France, South Africa, South Korea etc. Due to increasingly large industrial accidents, natural catastrophies, new types of pollutants and liability claims, severe interpretation of product and liability laws large claims arising risks such as chemical plants, oil platform, increasing world level terrorism, spending on insurance premium is rising.

Insurance is practiced in almost all countries of the world. Given below are some basic and fundamental statistics related to the Indian economy which are relevant to insurance industry, have been presented in table 1.1 and 1.2 to show portray of the comparative data of insurance density and insurance penetration regarding some selected countries of the world.
**TABLE 1.1**  
INTERNATIONAL COMPARISON (INSURANCE DENSITY) OF LIFE INSURANCE (Premium per capita in US $)

<table>
<thead>
<tr>
<th>Countries</th>
<th>1999</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>Average of 99-07</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>1446.6</td>
<td>1602.0</td>
<td>1657.5</td>
<td>1611.4</td>
<td>1856.40</td>
<td>1634.78</td>
<td>3rd</td>
</tr>
<tr>
<td>Canada</td>
<td>674.6</td>
<td>675.9</td>
<td>722.9</td>
<td>757.2</td>
<td>831.34</td>
<td>732.39</td>
<td>7th</td>
</tr>
<tr>
<td>Brazil</td>
<td>11.8</td>
<td>10.8</td>
<td>35.8</td>
<td>12.9</td>
<td>40.10</td>
<td>22.28</td>
<td>14th</td>
</tr>
<tr>
<td>Mexico</td>
<td>41.3</td>
<td>53.2</td>
<td>41.3</td>
<td>50.8</td>
<td>47.08</td>
<td>46.74</td>
<td>12th</td>
</tr>
<tr>
<td>Chile</td>
<td>114.3</td>
<td>122.1</td>
<td>138.3</td>
<td>126.0</td>
<td>154.90</td>
<td>131.12</td>
<td>10th</td>
</tr>
<tr>
<td>U. Kingdom</td>
<td>2502.8</td>
<td>2567.9</td>
<td>2417.1</td>
<td>3028.5</td>
<td>2707.15</td>
<td>2644.69</td>
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</tr>
<tr>
<td>Germany</td>
<td>762.2</td>
<td>674.3</td>
<td>930.4</td>
<td>683.0</td>
<td>1042.05</td>
<td>818.39</td>
<td>6th</td>
</tr>
<tr>
<td>France</td>
<td>1392.3</td>
<td>1268.2</td>
<td>1767.9</td>
<td>1437.4</td>
<td>2050.76</td>
<td>1583.31</td>
<td>4th</td>
</tr>
<tr>
<td>Russia</td>
<td>9.9</td>
<td>33.2</td>
<td>33.9</td>
<td>19.5</td>
<td>37.97</td>
<td>26.89</td>
<td>13th</td>
</tr>
<tr>
<td>Japan</td>
<td>3103.4</td>
<td>2806.4</td>
<td>3002.9</td>
<td>3165.1</td>
<td>3453.34</td>
<td>3106.23</td>
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</tr>
<tr>
<td>South Korea</td>
<td>76.5</td>
<td>763.4</td>
<td>873.6</td>
<td>935.6</td>
<td>978.43</td>
<td>725.51</td>
<td>8th</td>
</tr>
<tr>
<td>PR China</td>
<td>8.3</td>
<td>12.2</td>
<td>25.1</td>
<td>9.5</td>
<td>28.11</td>
<td>16.64</td>
<td>15th</td>
</tr>
<tr>
<td>India</td>
<td>6.1</td>
<td>9.1</td>
<td>12.9</td>
<td>7.6</td>
<td>14.45</td>
<td>10.03</td>
<td>16th</td>
</tr>
<tr>
<td>Malaysia</td>
<td>78.1</td>
<td>129.5</td>
<td>139.8</td>
<td>86.4</td>
<td>156.58</td>
<td>118.08</td>
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</tr>
<tr>
<td>Indonesia</td>
<td>4.4</td>
<td>3.6</td>
<td>6.4</td>
<td>4.0</td>
<td>7.17</td>
<td>5.11</td>
<td>17th</td>
</tr>
<tr>
<td>South Africa</td>
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<td>377.2</td>
<td>476.5</td>
<td>392.9</td>
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<tr>
<td>Nigeria</td>
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<td>0.5</td>
<td>0.6</td>
<td>0.4</td>
<td>1.67</td>
<td>0.67</td>
<td>19th</td>
</tr>
<tr>
<td>Kenya</td>
<td>2.4</td>
<td>2.9</td>
<td>3.4</td>
<td>2.4</td>
<td>3.81</td>
<td>2.98</td>
<td>18th</td>
</tr>
<tr>
<td>Australia</td>
<td>1333.6</td>
<td>1040.3</td>
<td>1129.3</td>
<td>1193.5</td>
<td>1253.52</td>
<td>1190.04</td>
<td>5th</td>
</tr>
</tbody>
</table>

Source: IRDA Annual Report (Various issues).

**TABLE 1.2**  
INTERNATIONAL COMPARISON (INSURANCE PENETRATION) OF LIFE INSURANCE (Premium as percentage of GDP)

<table>
<thead>
<tr>
<th>Countries</th>
<th>1999</th>
<th>2001</th>
<th>2003</th>
<th>2005</th>
<th>2007</th>
<th>Average of 99-07</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>4.23</td>
<td>4.40</td>
<td>4.38</td>
<td>4.2</td>
<td>4.50</td>
<td>4.34</td>
<td>7th</td>
</tr>
<tr>
<td>Canada</td>
<td>3.19</td>
<td>2.97</td>
<td>2.63</td>
<td>2.9</td>
<td>2.71</td>
<td>2.88</td>
<td>10th</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.35</td>
<td>0.36</td>
<td>1.28</td>
<td>1.3</td>
<td>1.42</td>
<td>0.94</td>
<td>15th</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.82</td>
<td>0.86</td>
<td>0.78</td>
<td>0.7</td>
<td>0.93</td>
<td>0.82</td>
<td>16th</td>
</tr>
<tr>
<td>Chile</td>
<td>2.65</td>
<td>2.93</td>
<td>2.61</td>
<td>2.5</td>
<td>2.98</td>
<td>2.73</td>
<td>11th</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10.30</td>
<td>10.73</td>
<td>8.62</td>
<td>8.9</td>
<td>9.40</td>
<td>9.59</td>
<td>2nd</td>
</tr>
<tr>
<td>Germany</td>
<td>2.96</td>
<td>3.00</td>
<td>3.17</td>
<td>3.1</td>
<td>3.23</td>
<td>3.09</td>
<td>9th</td>
</tr>
<tr>
<td>France</td>
<td>5.70</td>
<td>5.73</td>
<td>5.99</td>
<td>6.3</td>
<td>6.45</td>
<td>6.03</td>
<td>5th</td>
</tr>
<tr>
<td>Russia</td>
<td>0.78</td>
<td>1.55</td>
<td>1.12</td>
<td>0.6</td>
<td>0.92</td>
<td>0.99</td>
<td>14th</td>
</tr>
<tr>
<td>Japan</td>
<td>8.87</td>
<td>8.85</td>
<td>8.61</td>
<td>8.26</td>
<td>8.89</td>
<td>8.70</td>
<td>3rd</td>
</tr>
<tr>
<td>South Korea</td>
<td>8.39</td>
<td>8.69</td>
<td>6.77</td>
<td>6.7</td>
<td>7.23</td>
<td>7.56</td>
<td>4th</td>
</tr>
<tr>
<td>PR China</td>
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<td>1.34</td>
<td>2.30</td>
<td>2.2</td>
<td>2.34</td>
<td>1.84</td>
<td>13th</td>
</tr>
<tr>
<td>India</td>
<td>1.39</td>
<td>2.15</td>
<td>2.26</td>
<td>2.5</td>
<td>2.65</td>
<td>2.19</td>
<td>12th</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.16</td>
<td>3.38</td>
<td>3.29</td>
<td>3.5</td>
<td>3.40</td>
<td>3.15</td>
<td>8th</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.66</td>
<td>0.53</td>
<td>0.66</td>
<td>0.63</td>
<td>0.65</td>
<td>0.63</td>
<td>18th</td>
</tr>
<tr>
<td>South Africa</td>
<td>13.92</td>
<td>15.19</td>
<td>12.96</td>
<td>11.43</td>
<td>12.43</td>
<td>13.19</td>
<td>1st</td>
</tr>
<tr>
<td>Nigeria</td>
<td>0.07</td>
<td>0.14</td>
<td>0.14</td>
<td>0.17</td>
<td>0.16</td>
<td>0.14</td>
<td>19th</td>
</tr>
<tr>
<td>Kenya</td>
<td>0.78</td>
<td>0.82</td>
<td>0.78</td>
<td>0.82</td>
<td>0.88</td>
<td>0.82</td>
<td>16th</td>
</tr>
<tr>
<td>Australia</td>
<td>6.43</td>
<td>5.70</td>
<td>4.42</td>
<td>4.17</td>
<td>4.51</td>
<td>5.05</td>
<td>6th</td>
</tr>
</tbody>
</table>

Source: IRDA Annual Report (Various issues).
From the Table 1.1 it is seen that amongst the selected countries for the period of 1999 to 2007 Japan has the highest number of average insurance density (3106.23 US $) followed by U.K. (2644.69 US $), United States (1634.78 US $), France (1583.31 US $) and others. India ranked 16th amongst them with only (10.03 US $) as far as average insurance density is concerned.

Again from Table 1.2 amongst the same selected countries for the period of 1999 to 2007, it is found that South Africa has the highest number of average insurance penetration (13.19%) followed by U.K. (9.59%), Japan (8.70%), South Korea (7.56%), France (6.03%) and others. India ranked 12th amongst them with only (2.19%) as far as average insurance penetration is concerned.

*An Aggregative View of Indian Insurance*

The institutions providing insurance services have been an important part of the Indian Financial System. One can divide the history of the existence and working of insurance organizations in India in the following three phases.

*Life Insurance*

**Phase I** → 1818 to 1956 (About 138 yrs) → Many (245) private sector companies only; competitive market.

**Phase II** → 1956 to 2000 (About 44 yrs) → Nationalization, public sector or state monopoly; only one company.

**Phase III** → After 2000 → Opened to the entry of private domestic and foreign companies; mixed sector of public and private sector units; oligopoly of public sector companies (16 life insurance cos.)
General Insurance

**Phase I** → 1850 to 1972 (About 122 yrs) → Many (107) private sector companies only; competitive market.

**Phase II** → 1972 to 2000 (About 28 yrs) → Nationalization, public sector or state monopoly; one company with its four subsidiaries.

**Phase III** → After 2000 → Opened to the entry of private domestic and foreign companies; mixed sector of public and private sector units; oligopoly of public sector companies (12 general insurance cos.)

The Insurance Act 1938 was the first comprehensive legislation governing not only life but also non-life branches of insurance to provide strict control over insurance business. In separate subsection it deals with Provident Companies, mutual offices and co-operative societies as well.

It is because of Babu Muttilal Seal, Prince Dwarakanath Tagore, Ramtanu Lahiri and Rustamji Cowasji that insurance cover is extended to Indian people as well. Consequent to these attempts, the first Indian Insurance Company, namely, ‘Bombay Mutual Life Assurance Society’, came into existence in the year 1870 to cover the Indian lives at normal rates. During the year 1956, there was the historical step undertaken by merging 245 Indian and Foreign companies and bringing them under the umbrella of Life Insurance Corporation of India. The vision of Dr. C. D. Deshmukh was that in the implementation of Five Year plan, it bound to give a material assistance into the lives of millions of people of rural areas; it would introduce a new sense of awareness building for the future in the spirit of calm confidence which insurance alone can give.

The Government of India took the first step towards nationalization of life insurance business in India on the 19th January 1956 by promulgating an
ordinance vesting the management and control of life insurance business of 154 Indian, 16 non-Indian insurers and 75 Provident Societies operating in the country. Moreover, the companies continued to exist as separate entities and the ownership continued to exist with respective shareholders. On June 18, 1956 they put a bill through the parliament that emerged as the Life Insurance Corporation Act (XXXI of 1956) that was gazetted the next day. It came into force in July 1956. By this Act all the assets and liabilities pertaining to the life insurance business in India of all registered Indian insurers, were to be transferred to and vested in The Life Insurance Corporation India as from the appointed day. According to this Act, a corporation called The Life Insurance Corporation of India (LICI) was established which started its career on September 1, 1956.

Since nationalization, life insurance business in India is co-terminous with the state owned LICI, which has a dominant position in the economy in two ways. First, as a national insurance agency it serves to pool and redistribute risk associated with the death of insurers (policy-holders) in millions of households. In many cases, insurance policies provide for saving for old age. Life insurance is thus important from social point of view. Secondly, as a major collective savings institution, LICI is a dominant financial intermediary in the economy, channelling the investible funds to the productive sectors. Thus, insurance provides means to mobilize household savings on a large scale for rapid industrialization and self-reliance in heavy industries for the development of the country and also conducting the business in spirit of trusteeship and providing protection to the people in every part of the country.

LICI has been a beneficial provider of Finance to national projects and an imaginative investment of social welfare. Life Insurance Corporation of India (LICI) is a multi-division, multi-branch organization that has its presence in every nook and corner of the country.
On 19th January 1956, the then Finance Minister Sri C. D. Deshmukh addressed the nation by announcing the nationalization of Life Insurance companies. It was the first step taken to overcome the drawbacks and malpractices of private insurers. The LIC started functioning from September 1956.

General Insurance Corporation of India was nationalized on 1973. Since nationalization GICI and its subsidiaries have been participating on a consortium basis, with the other all-India financial institutions in the financing of industrial project by underwriting of new issues, subscriptions to privately placed debentures and granting of term loans.

General insurance deals with exposure of risk of goods and property whereas life insurance is a way to meet the contingencies of physical death and economic death. In case of pre-matured death of the assured the proceeds of the policy are paid to the beneficiaries and annuities protect the assured against economic death when he lives too long to arrange for his necessities.

In modern times, life insurance is widely recognized as an important need to the all to cover the life risk and to provide economic security to the dependent members of the family. Under life insurance, the insured transfers the risk of life by paying an amount to the insurer. The life insurance contract provides that the insurer accepts.

The Life Insurance coverage is essential for every member of the family in the world of growing complexities. Life insurance provides economic security to the dependent members of the family in the event of unfortunate death of the earning member. Besides covering life risk, it also provides many other benefits, such as thrift, old age pension, loan facility for personal needs and house construction, children education etc. At micro level, life Insurance
provides employment to lakhs of people apart from supplying funds for various nation-building activities.

The LIC transacts business throughout India with its central office at Mumbai. It transacts its business in foreign countries too like the U.K., Mauritius, Fiji and Middle East with main office at Baharin. The central Govt. appoints 15 members of LIC and Central Govt. also appoints one as the Chairman.

The LIC of India has four tier structures with a central office at Mumbai. At present it has eight Zonal offices, 105 Divisional offices and 2048 Branch offices in 1363 centers including 790 City Branches and 1258 Mofossil Branches in India. Foreign Branches report directly to the central office. All offices have clearly demarcated geographical areas of operations, except Branch offices in big cities, which have common areas. Almost 90% of the activities are done at the level of Branch offices. Investments are done at the central office.

Life Insurance business differs from other types of business in many respects. It is basically a contract between an insurer and insured under which the insured will pay certain sum of money called premium and accordingly the insurer undertakes to pay the sum assured along with bonus (wherever applicable) to the insured either death or maturity whichever is earlier.

In modern times, service marketing is gaining vital importance particularly in view of the role of tertiary sector in economic development of a country. Indian banks are slowly realizing the importance of service marketing though they are not still as effective as foreign banks. Insurance sectors are far behind in terms of marketing.
1.2 Statement of the Problem

For the development of the economy insurance sector plays a vital role. Till now these two giant public sector corporations, namely THE LIFE INSURANCE CORPORATION OF INDIA (LICI) and THE GENERAL INSURANCE CORPORATION OF INDIA (GICI) with its subsidiaries managed the major share of insurance business in India.

Though India is the second largest country in terms of population in the world, the coverage of life insurance is estimated to be about 26% of the total life insurance potential, which is meager by any standards. Among various reasons for this, lack of proper marketing approach may be mentioned as an important one. Further, in view, of the recommendation of the Malhotra Committee, Life Insurance business has become competitive with the entry of private agencies and foreign insurance companies. Therefore, any attempt to examine the present marketing strategies and practices and designing need-based strategies to suit the markets needs is to be welcomed.

For the effective functioning of any service organization, a well-planned marketing strategy is essential. In case of LICI also, consumer oriented marketing policy is essential to achieve its goal. But unfortunately the need for developing consumer based marketing approach was recognized in LICI at the late stage. Until 1982, LICI was purely a sales organization and approach of LICI to the market was more oriented to the needs of the corporation of LICI then the needs of the consumer.

In the year 1982, LICI started adopting the marketing approach. The first step towards this end was decentralization of LICI operations up to branch level. This helped in avoiding delays in policy servicing and moving closer to the customers.
Insurance Industry in India (2006-07)

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Private Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life</td>
<td>General</td>
</tr>
<tr>
<td>2 (LICI, PLI)</td>
<td>5 (GICI &amp; its 4 subsidiaries)</td>
</tr>
<tr>
<td>General</td>
<td>Life</td>
</tr>
<tr>
<td>(16 Cos)</td>
<td>General</td>
</tr>
<tr>
<td>(7 Cos)</td>
<td></td>
</tr>
</tbody>
</table>

Under the reorganization scheme, the LICI felt that the basic change in the concept of the organization from a sales organization is that a marketing organization requires a scientific approach to the sales techniques. In view of this, the objectives of the marketing policy have been defined as a national organization to provide optimal financial security, through life insurance, as extensively as possible to adverse population in urban and rural areas, with different occupations and sources of income and in high, middle and low income levels more especially the economically weaker sections.

After the adoption of marketing concept in the place of sales concept, LICI has made significant improvements in the development of products, pricing of policies and promotion and distribution strategies. The business performance of LICI also improved after introducing the reorganization scheme. LICI has improved service quality to a larger extent during this period by transferring all the servicing functions to branch offices.

Though the need for marketing approach is recognized by LICI, there is a wide spread feeling that the importance of marketing orientation is not realized throughout the organization, particularly at the grass root level. The adoption of marketing concept in LICI is still in evolving stage. Therefore, there is a need to continuously review its marketing operations and identify the deficiencies existing in the present set up. Keeping this in view, an attempt is made here to review the marketing of LICI services from the viewpoint of its marketing mix elements, which are being used in implementing its programmes.
Neil H. Borden first used the phrase ‘marketing mix’. McCarthy suggests the most popular 4 Ps’ framework with the marketing mix variables - Product, Price, Promotion, and Place. Since the marketing mix tools originated from the study of the manufacturers – i.e. the organizations engaged in production and marketing of goods – it is more oriented to deal with goods marketing situations. However, service characteristics are significantly different from goods; and so are the challenges in their marketing. Therefore, the conventional marketing mix needs to be modified and broadened.

Indian service markets are no longer the market of the public sectors. Another historical turn was undertaken as liberalization of insurance industry. While presenting Insurance Regulatory Development Authority (IRDA) bill on 2nd November, 1999 in Parliament the Honorable Finance Minister Sri Yashwant Sinha says LICI has done very well. They have a record we can all be proud of its service to the nation. No company of any foreign country can take this country for a ride. Let us have confidence in ourselves. The Insurance Regulatory Development Authority (IRDA) started functioning from 2000 and is regulating the private life business along with LIC & GICI. With the entry of private sector into the services made it competitive and challenging. At present, in addition to LIC in public sector, 15 private companies are operating in life business. Companies like HDFC Standard Life Insurance, TATA AIG Life Insurance, Allianz Bajaj Life Insurance, Max New York Life, OM Kotak, Birla Sun Life Insurance, SBI Life, Aviva Life Insurance, ING Vysya, MAT Life Insurance, Reliance Life, ICICI Prudential, SAHARA Life, SriRam Life, Bharati Axa Life & AMP Sanmar are doing good business in Indian Soil. Given the service characteristics and activities in service firms, a seven Ps framework for services has been proposed. This additional prescribed Ps in this framework refers to activities that are essential to meet the challenges posed by intangibility, service provider-customer interaction and customer involvement in service consumption and production. The service mixes are as follows:
Services are seemingly similar in nature and are different to be recognized as they lack tangibility. Services form a major portion of our life. At every step of our life, we are enjoying the services of one or other agency. The present study has been conducted in LICI with emphasis on Silchar Division as it covers the southern part of Assam along with three other states, namely Manipur, Mizoram and Tripura.

The present research has been expected to make an in-depth study on the issue of Marketing Strategy of Life Insurance Corporation of India. In the context of liberalization of insurance sector and private sector entry into insurance business the insurance business has become competitive and challenging. Thus, LICI has to adopt new marketing strategies. The in-depth analysis of the study has been restricted to Silchar Division and some of its selected branches.

2.3 Survey of Literature

So far studies relating to marketing strategy of Life Insurance Corporation
of India are very limited. Very little research work has been done in the area of service marketing, particularly in the area of Life insurance marketing; most of these studies are in the form of research articles, committee reports and surveys conducted by the LICI. Only few comprehensive studies have been taken up so far on Life Insurance marketing. However an attempt has been made here to review the relevant previous studies made in the area of service marketing in general and life insurance marketing in particular.

**Studies based on product**

Anderson\(^{12}\) (1982) in his article entitled “Non-profits. Check Your Attention to Customers” contends that managers of non-profits organizations focus too closely on their product or services. He admonishes them to give more attention to the needs and wants of their customers. Bernstain\(^{21}\) (1999) in his paper discussed the total factor productivity growth in the Canadian Life Insurance industry for the period 1979-89. since services are two-thirds of Canada’s gross domestic product, careful undertaking of output and input measurement for services yield a clearer picture of Canada’s productivity performance and thereby, its competitive position. Throughout this period, the insurance industry has kept pace with the service sector as a whole. Insurance accounts for about 0.70 percent of GDP. Mathur\(^{39}\) (2003) has the opinion that joint efforts need to be made by all insurance operators for the market to extend the coverage to millions of insurable people who need and can afford life insurance. Time-relevant, customer need-based products are to be developed in the background of cost and intrinsic return. At present, there are 58 products being sold by LICI. However some of the product has been re-structured on the basis of competitive needs and emerging market demand. Yet, the pension market in India mostly remains untapped and this is probably the most potential segment of the life insurance market in India. For low-income people, low premium risk cover will be desirable. For this segment group insurance policies like Jana Shree Bima Yojana have been launched by LICI that will be attractive and useful for expanding the rural insurance market.
Studies based on customer service

Bhattacharya\textsuperscript{22} (2005) says the concept of quality management in the present day market situation in Insurance Industry aims basically at customer satisfaction as the prime duty. Customers must become a customer only by Quality Service and since the market has opened up for more players’ the monopoly of the public sector insurers has simply vanished and now each insurer must strive hard to retain the customers and also add more customers to their fold. This is possible only if we provide quality in service. Therefore, insurers must evolve level of satisfaction to their customers. Dayal\textsuperscript{23} (1992), Venkatesh\textsuperscript{25} (1987) and Wali\textsuperscript{26} (1989) also analysed regarding satisfaction of policyholders. Singh\textsuperscript{24} (2001) in his article titled ‘Caveat Emptor’ stressed on the role of the Tariff Regulatory Committee. Mishra\textsuperscript{40} (1987) made a study to approve the marketing strategies of LICI. While reviewing the marketing strategies, the author felt that LICI did not have much attention to the objective of the customer satisfaction before 1980. But from 1980 onwards it has taken several measures to provide better customer satisfaction. Reddy (1998) and Sahoo\textsuperscript{52} (1994) observed, in modern times, service marketing is gaining vital importance particularly in view of the role of tertiary sector in economic development of a country. Though same marketing principles and concepts are to be followed for marketing of tangible goods and services, the practices and strategies vary to a significant extent. This is mainly due to the unique nature and characteristics of services as compared to products that are tangible and verifiable.

Studies based on liberalization of insurance sector

Dhunna and Kumar\textsuperscript{29} (2002) in their article titled ‘Liberalization of Insurance Sector: Social Implications’ emphasized that IRDA has to create an environment where insurers, consumers and other groups can co-exist and operate for the promotion of the insurance. The success of the insurance reforms depends on the transparency in the work environment and an effective regulatory authority, so as to prevent liquidation, speculative trading
and restrictive business policies. Gupta and Chuganee (2001) in their article ‘LICI learns to Tango’ emphasized on the various steps to be taken by LICI in order to compete with the new players. As the insurance sector has opened up the monopoly of the giant has been challenged with this. Several major steps are to be taken to rise to the occasion in the areas of product, services, information technology, etc. LICI is gearing to attain new heights through involvement of its entire vast workforce. There is excess of manpower in the corporation but the management is not going to be any down seizing instead the surplus is going to be utilized in raising business volumes through skill upgradation. Kumar (2004) says, Indian Insurance Industries has to face competition with the foreign companies because India is a new insurance destination for them, insurance market in developed countries having become saturated. Sinha (2000) in his paper titled ‘Privatization of Insurance Market in India’ concluded that one sure sign is emerging in the insurance business is the convergence of the different parts of the financial sector. The IRDA has taken a slowly-slowly approach. It has been very cautious in granting licenses. Too many regulations kill the incentive for the newcomers while two related regulations may induce failure and fraud that led to nationalization in the first place. Mathur, (2002) in his article titled, “LICI faces stiff challenges” published in the national newspaper ‘The Hindu’ emphasized on the theory and stiff competition from new entrants in the life insurance sector. They all had sound background and high brand equity. According to Mathur, the new players might not be very ethical in all respect but they pose a big challenge to LICI. Competitors would concentrate on those areas that were not covered by us and development officers must work carefully to ensure that the people are not weaned away from LICI. LICI was setting apart Rs. 55 crores to be utilized for giving Laptops to its 19000 DO’s countrywide.

**General studies based on liberalization of insurance sector**

Agarwala (2000) observed that life insurance is a device of family protection, is fairly but is extremely important. Millions of people all over the
world, who have purchased life insurance, keep sending small installments to the insurance companies, almost every month, with the complete faith that, in the event of their death, the insurance companies shall be returning a larger amount of money every month to their families as long as it is needed. It is only through life insurance alone that one buys so much paying so little.

Agarwal\textsuperscript{10} (2005), in his article, deals with the insurance status in India for the poor. Insurance is more concentrated in relatively financially stable urban areas, but the requirement for a cushion to absorb risks is greater among rural and urban poor. Even after the opening of insurance to private players in India, its penetration is very low compared to that in developed nations. Therefore for the development of the economy, insurance penetration in India should grow, but that growth will be possible only when suitable products become available. Patki (1989) in his article entitled “Rural Marketing” discussed the problems involved in selling life insurance particularly in rural areas.

Ahuja\textsuperscript{11} (2004) is of the opinion that the rural obligations are in terms of certain minimum percentage of total policies written by life insurance companies and the obligations are in terms of percentage of total gross premium collected. The impact of rural and social obligations on extending insurance to the intended people has been positive. However, certain aspects with respect to these obligations are already becoming quite clear. One is that social and rural obligations need to be supplemented by other provisions with the view to guide the development of rural and social business in the country.

Anderson and Nevin\textsuperscript{13} (1975) in the study looked at the life insurance purchasing behaviour of young newly married couples. The relationship between two dependent variables, amount of insurance purchased and type of life insurance purchased, was tested against a number of explanatory variables. The independent variables like socio-economic variables,
demographic variables, psychographic variables and other explanatory factors, some of which have not been investigated before, are examined by means of multiple classifications analysis. Three of the independent variables were found to be statistically significant in explaining the type of life insurance purchased:

(1) Net worth was greater,

(2) The wife purchased term insurance before marriage, and

(3) The insurance agent did not influence the decision. This suggests that the wife and the insurance agent are playing an influential role in the type of insurance purchased by young married households. Gandolji and Miners (1996) and Goldsmith (1983) have also made their studies on husband and wives on their life insurance coverage.

Arunachalam\(^\text{14}\) (2004) emphasises on the significance of determining in the insurance sector when new products are introduced. The highest level of precaution needs to be taken for pricing can help insurer because complex formulae go into insurance rate making techniques and manual computations are error prone and subject to limitations and constraints. In manual and semi-manual systems the scope for errors is very high. New technologies are helping insurers to analyze and control exposure to fraud. These are powerful analytical software that can detect patterns by collusions by individuals working together. If the right kinds of IT systems and database are in place, information production, whether for internal analysis or regulatory submission, should be a matter of simple process. Jayakar\(^\text{15}\) (2003) and Khansili\(^\text{16}\) (2004) also made their studies on new product development and pricing of LICI policies.

Baker\(^\text{17}\) (1994) says, many industries which are highly concentrated or oligopolistic in nature are dominated by one or small number of firms which determine the competitive character of the market along such dimensions as price, quality, distribution, policy and innovation. These firms are the leaders.
The remaining firms are thought of as followers in that they imitate the policies of the leaders and rarely possess a sufficient market share to affect industry practice through independent action.

Banarjee\textsuperscript{18} (1992) in his article, ‘Branch Image in the 90’s including the PR Culture’ opined that the Public Relations activities should not be confined to a few person meant exclusively for that purpose but should be exercised by all-right from sub-staff to the branch manager and also by agents and development officers in a branch office. He stressed smiling, courteous and efficient services with the policyholders to meet the rising consumer aspirations. He suggested the need for free flow of information from LICI’s branches to Divisional, Zonal and Central Offices.

Beck and Webb\textsuperscript{19} (2003) in his article ‘Determinants of Life Insurance consumption Across Countries’ emphasized that in the face of increasing urbanization, mobility of the population and formalization of economic relationship between individuals, families and communities life insurance has taken increasing importance as a way for individuals and families to manage income risk. Also life insurance products encourage long-term savings and the re-investment of substantial saving, they have become effective as instrument for encouraging substantial amount of savings in many countries around the world. Leveraging their role as financial intermediaries, life insurance has become a key source of long-term finance. Samuel\textsuperscript{20} (2003) traces the evolution of life insurance market in India. This article also discusses the role of insurance in financial savings of the households sector and regulation of insurance in India.

Bickelhaupt and Ran\textsuperscript{27} (1986) in his article identify and summaries research on international risk and insurance. The research is classified according to purpose, methodology and perspective. A strong recommendation is made for international insurance research groups to
provide more studies emphasizing theoretical, quantitative, cross-country and global approaches. Descriptive-qualitative research will continue producing general studies most often journalistic in nature. However, new article should now advance the development of theories of international risk and insurance. Sound theoretical and conceptual studies are necessary, which may provide guidelines for better international insurance practices. The availability of more empirical data should permit an increase in research which is primarily analytical and which is more cross-country and global in viewpoint. Finally, interdisciplinary research by international research groups is strongly recommended.

Burnett and Palmer\textsuperscript{28} (1984) in the study examined various demographic and psychographic characteristics in terms of how well they relate to differing levels of life insurance ownership. The study results pertaining to the most significant predictor variables suggest that people who own greater than average amounts of life insurance are individuals who are self-sufficient and believe that they are in control of their own well-being. These individuals also have a lesser belief in the traditional work ethic, are less assertive, prefer quieter activities, and have a relatively lower interest in religion. Other significant variables also provide important insights concerning life insurance ownership.

Forte\textsuperscript{30} (2005) conducted a study on rural insurance market. According to the findings of the study, the more educated have higher earnings capabilities and are potential insurance customers. The usual scenario seems to be where the chief wage earner insures himself, thus protecting his family and his wife in the beneficiary. Majority of the respondents were able to name the types of policy but could not recall the actual name of the policy. Most had purchased the money back policies and penetration of whole life policies was very low.
Fortune\textsuperscript{31} (1973) applied the expected utility hypothesis of choice under uncertainty, to the explanation of the optimal amount of life insurance for a rational individual. The empirical implications of the expected utility hypothesis for the demand for life insurance are than tested by multiple regression analysis using data for the decade of the 1960s. The theoretical model developed implies that three key cyclical variables should explain cyclical variations in the quantity of life insurance demanded: the rate of discount, the amount of non-property income (i.e. wages and salaries) expected to be received over the period of analysis and the amount of non-human wealth held at the time the decision to purchase insurance is made.

Hua\textsuperscript{34} (2000) in his article takes into account the liquidation values and liquidity of estate assets and the ability of life insurance death benefits to by pass the probate process. This article conjectures that Bernheim’s conclusion that life insurance is an inferior good might be a result of the lack of an accurate estimate for the pure term component of life insurance policies and the omission of net liquid conventional asset holding in his regressions. Finally, charitable bequest motives proxied by past charitable donation have a positive effect on life insurance holding.

Kotlar\textsuperscript{35} (1988) defines a service as any act performance that one party can offer to another that is essentially intangible or does not result in ownership of anything. Its production may or may not be tied to a physical product.

Krishnamurty\textsuperscript{36} (2003) believes that banks command enormous trust in the minds of the public and has a close knowledge of the customers’ background. This helps bank in selling life insurance and hence insurance companies seek to enter into wide ranging banking partnerships. Bancassurance has achieved remarkable success in some European countries. Banks in Europe have also chosen to concentrate on
bancassurance, as a major fee earning activity to beat the stringent risk-based capital needs imposed by the Basle Rules. The extensive presence of bank branches and the large no of bank customers would mean that India in some ways as in the case of Japan is an ideal candidate to take bancassurance forward.

Kumar\textsuperscript{37} (2002) emphasized on the investment management in the light of asset liability match, interest rate risk, and risk mitigation measures and derivatives instruments by the life insurers. Life Insurance is a long-term business and for determining the premium the expected interest rate over the term of the policy is one of the key inputs. Bonus rates are decided on the basis of surplus determined by actuarial valuations that is done every year. Investment income, which depends also upon the return on fixed interest investments, is a significant contributor for surplus. Decline in rates of returns obtainable from time to time revision of rates of returns offered but the insurers.

Kumar (2003) in his article titled, ‘Development of Insurance in India’ has emphasized on the various issues relating to insurance business in India like liberalization, privatization, regulator’s issues and future possibilities, etc. a thriving insurance sector is of vital importance to every modern economy. The community of the Canadian Institute of Actuaries (2000) observed that with the discussions on liberalization of Life Insurance in India, the prospect of a multitude of players entering the market place is looking brighter. Entry of new players will bring new products. The rapid expansion of the asset base will require new vehicle for investment. Also, in privatized environment, protection of policyholder’s interests will create a need to focus on the solvency of the insurers. All the opportunities to re-visit the manner in which the asset and liabilities are valued and to establish the level of capital and surplus that the insurers are required to maintain.
Kumar (2003) says Supreme Courts recent verdict permits the Banks to enhance their service charges unilaterally. It is, however, expected that the Banks will not increase the charges arbitrarily without improving the service charged for.

Kundu\textsuperscript{38} (2003) in his article, titled ‘What’s next in India’s Insurance Market’ discussed the changes in various issues of insurance industry after the entry of new players. Despite its terming one bullion population India still has a low insurance penetration of 1.95 percent, 51\textsuperscript{st} in the world. Despite the fact that India boosts a saving rate of around 25%, less than 5 percent is spent on insurance. With the entry of competition, the rules of the game are set to change. In today’s highly competitive financial services environment, Technology will play an increasing role in aiding design and administering of products as well in efforts to build life long customer relationships.

Mishra (1990), ‘Productivity Management in LICI’ found that there were enough market potentialities for the insurance people in India. He highlighted the prevailing competition among agents. He viewed that many insurance policies in the past could not continue for the tenure because of lack of services to the policyholders. He suggested opening of new branches, training of LICI agents at periodical intervals, arranging regular meetings of agents with pace setter agent, new classification of agents as leaders, challengers, followers and nichers to put the morale of agents at higher level.

Mishra\textsuperscript{40} (1991) observed that, once insurance is granted, the insurers shall remain liable for the claim so far the assured continues to pay the premiums. If the assured fails to pay premium within the days of grace, the insurers’ liability ordinarily ceases under the policy and the contract comes to an end. Under such circumstances, the policy is said to have been lapsed. Upon such lapses, insurers relieved of its liability to pay claims. The lapsation causes hardship to insurers, the insured and the insurance agents.
Mishra (2004) says, insurance selling process is a specialized function. It requires special training and hard work. Many insurance agents have acquired sales ability while other develops them through practice. All of them are required to sell ideas, services and personalities. A successful agent must possess the quality of intelligent, sociability, earnestness, enthusiasm and optimism, resoluteness, personalities, cheerfulness, tact, perseverance, industriousness prospecting and qualifying, approach, presentation, demonstration, handling objection, closing and follow up.

The observation made by National Federation of Insurance Field Workers in a memorandum is highly significant. “LICI has become a plus-minus business figure Corporation. In their mistaken zeal to show the government or to the parliament or to the public at large the make believe of success of LICI, the management compelled the Development Officers to procure more business anyhow and somehow”.

Parasuraman et al. (1985) formulated a service quality model that highlights the main requirements for a service provider delivering the expected service quality. Pillai (1999) and Thomas (1978) observed that insurance is a service industry and as such overwhelming importance should be given to customer service. The model identifies five gaps that cause unsuccessful service delivery. They are:
(a) Gap between consumer expectation and management perception.
(b) Gap between management perception and service quality specifications.
(c) Gap between service quality specifications and service delivery.
(d) Gap between service delivery and external communications.
(e) Gap between perceived service and expected service.

Parekh (2003) in his article deals with corporate governance in the Indian insurance industry. It discusses the quality of communication both
within the organization and to the market. It also examines the value and reporting in the industry in the context of the Indian market and covers best practices and preparatory work to be done by companies. As the market evolves and their investor group gets broad based, effective corporate governance of an insurance company would entail examining the quality of reporting, both internal and to the markets, on the performance measures with adequate emphasis. The executive concerned should make regular efforts to strengthen the reporting and bridging the gaps.

Rangachary\textsuperscript{46}, (2002) participated in the 4th Global Conference of Actuaries. During the course of discussion, several issues were raised and a need to bring in risk-based capital with emphasis on fair value accounting system for insurers was felt. He also expressed the need to develop the health and the pension sectors which have not got their due share of importance as life insurance.

Rao\textsuperscript{47} (1989) in his article titled ‘Life Insurance Business in India: Analysis of Performance’ analyzed the Growth of Life Insurance Business in terms of new business and coverage area. The analysis of Zonal business reveals that business is greater in the more urbanized Zones. In spite of all this life business continues to be low in terms of coverage and contribution to national income and savings. There is large potential for future development of life in India. Considering the trend towards liberalization, LICI should aim for more autonomy and restructuring programmes. LICI can equip itself to compete in a global world with other private insurers.

Rao\textsuperscript{48} (2002) is of the opinion that a regulator is not a role that can bring popularity but a job for trendsetter who can raise a hornet’s nest. The Malhotra Committee in its report in 1994 on reforms in the insurance sector, stressed that ‘professional regulation in areas relating to expenses, customer service, claims settlement, resolution of disputes, reasonableness of tariffs
and prevention of respective trade practice’ was urgently needed. It proposed that capital adequacy, solvency margins, quality of reinsurance and its performance, management expenses, adequate technical reserves, asset distribution, accounting and transparency of financial statements and dispute resolution forums should engage the attention of the regulator to be appointed with full functional autonomy and operational flexibility.

Rao\textsuperscript{49} (2003) emphasizes in his article the role of life insurance industry in the context of the national investment. The life insurance corporation of India at the end of March 2003 dominates the investment scene with 99.2 percent of total life funds whereas the rest of the 12 life players in the private sector contributed 0.8 percent to the life funds representing the impact of liberalization of the insurance sector. The industry has raised its investments in government and other approved securities from about 53 percent in 2001-02 to about 64 percent in 2002-03. In the approved and other market securities it has dropped from about 34 to 22 percent.

Ravishankar\textsuperscript{50} (2004) in his article argues that in changing business environment where returns are critical, insurance companies should consider several options while investing their funds. It is a fact that many insurance companies have diversified investment and hedging options, but their persistent demand for more opportunities continues to exist. Sen (2004) analyzed the Indian Life Insurance Industry after the privatization of the insurance market.

Rejda\textsuperscript{51} (1963) in his article studied the influence of the business cycle on the life insurance industry. The empirical evidence indicates that new purchases of ordinary life insurance have not been affected severely by the business cycle. This can be partially explained by the fact that large amount of new ordinary purchases is attributable to the upper income groups who are relatively immune to the cycle. Personal income and general consumption
expenditures have also tended to remain relatively stable during the
downswing of a cycle which would permit the continuance of new purchases
during the contraction phase of a cycle. The empirical data suggest that the
business cycle has had little influence on new purchases of group insurance.

Seetaramiah\textsuperscript{56} (1992) in his article entitled “fluctuations in New
Business” identified the reasons for heavy concentration of new business in
the year ending months. He suggests some steps to control the heavy rush in
the year ending. These include, shifting the year of closing to September,
spreading the agency recruitment activity in the year, greater credit for the
premium received in the first quarter, consistency of business inflow as one of
the criteria for eligibility of club membership, a special rebate of premium in the
lean months and promotion posting of officials to be completed by the first
week of April.

Sengupta\textsuperscript{53} (1997) remarked that, massive lapsation has been resulted
as the out come of the forced sale of business. Poor sales planning, new
target fixation etc., make the entire field force out of gear and rhythm to fulfill
their quota, ultimately bringing in such poor quality business. Lapsation occurs
mainly due to improper selection and pressurized salesmanship for sheer
commission and lack of after sales service. Of course the figure can be
brought down by efficient, trained and devoted supervision for advising the
proposer and the insured for continuance of business. Dutta\textsuperscript{54} (2002) has
made a similar study on “Management of Insurance Policy Lapses in LICI - a
study with special reference to Karimganj Branch”.

Shah\textsuperscript{57} (2003) believes that simply selling insurance products through
banking channels and vice-versa does not symbolize a good bancassurance
strategy and is bound to fail sooner or later. A bancassurance strategy can
succeed only if it provides a cost effective way to build distribution capacity,
especially for new market entrants, it provides a shift total dependence on tied
agency for existing insurers, it helps to penetrate new market segments across channel abroad and it increases quality of business. A low penetration rate in life insurance, encouraging foreign insurers to invest in bancassurance can also have an important impact. Infect these insurers often choose alliances with local banks which have well established networks and are customer-oriented in terms of their proximity.

Shejwalker\textsuperscript{58} (1989) in his article entitled “Training in Life Insurance Marketing” discussed the importance of professional agency force for the development of life insurance business. The present recruitment criteria of agents should be changed. He suggested that LICI should take steps to develop a full time agency force. He also suggested that an independent institute should be established to impart training to the agency force. Simon\textsuperscript{60} (1989) has given stressed on the need for training of agents that was necessary for healthy growth of LICI and agents.

Shotick and Showers\textsuperscript{59} (1994) augment the empirical literature on insurance demand by that of selected economic and social factors on the purchase of insurance. Understanding how insurance consumers decides upon the different types of insurance is important for policy-making in both the private and public sectors with the issue of socialized insurance, government must be aware of different effects on the types of insurance from socio-economic factors. A better understanding of the factors that affect total insurance, as well as individuals’ insurance demand, can provide valuable insights for both the public and private sectors concerning future insurance needs and alternatives.

Tarapore\textsuperscript{61} (2000) in his article titled ‘Malice of Indian Financial System’ emphasized that financial crisis the world over have revealed that weak working in financial system and their poor supervision contributed to macro-instability. Along with the stronger supervision, discipline of the marked also
needs to be re-emphasized. With rapid technological changes, the leader in innovation would claim the best business. The financial system would need to be guided by three requirements, viz, transparency, rigorous norms and appropriate incentives.

Watson\textsuperscript{62} (2004) is of the opinion that India is under insured and there is a challenge for the industry and regulators to increase market penetration. Indian Life insurance market displays many essential characteristics of an emerging vibrant and dynamic market – a relatively high level of awareness of life insurance, a growing pool of technical expertise and regulations that are not too onerous. Reinsurers have been closely involved with all new companies in developing business plans, products and underwriting standards and providing reinsurance support. New individual protection products in markets such as the US and the UK are heavily re-insured, whereas life insurers in Asian Markets relatively underutilize reinsurance.

Thus, the above review of literature reveals that no comprehensive study has been made regarding the marketing strategy of LICI with reference to Silchar Divisional Level. Moreover, the present study has investigated the impact of private sector entry into the marketing strategy of the LICI that is totally different from earlier studies.

\textbf{2.4 Relevance of the Present Study}

The present study on marketing strategy of LIC is very much relevant in the context of private sector entry in life business. Moreover as the service sector in general and insurance sector in particular has large employment generation potentialities, the study is more relevant from social point of view. In the context of liberalization and private sector entry into the insurance sector, LIC is likely to face much more challenges from the marketing point of view. The findings of the study can be profitably applied not only by the public and private insurance sectors but also by the other service sectors like hotel,
transport, hospital etc. the contribution to the national exchequer from the service sector is increasing by leaps and bounds.

2.5 Research Queries

i) What were the marketing strategies of LICI before entry of private operators?

ii) What strategies are formulated by the LICI owing to the entry of private operators?

iii) What are the strategies need to be formulated in the present context?

2.6 Objectives of the Study

The main objective of the study is to examine the marketing strategy of LICI from the viewpoint of marketing mix. In this process, the study attempts to identify the problems and suggest measures for the improvements of marketing of life insurance services. The main objectives of the study are as under:

i) To present a profile of LICI in terms of its historical growth, organization structure and performance at all India level and in Silchar Division and some of its selected Branches in the context of the opening up of the insurance sector for the private players.

ii) To examine product related strategies issues like product lines, new product development process, product life cycle and product performance of LICI plans.

iii) To study the various strategies concerning the pricing of products.

iv) To examine the quality of customer service provided to the policyholders.
v) To identify other problems involved in marketing of life insurance services and to suggest suitable remedies.

2.7 Data Source and Methodology

The present study ‘Marketing Strategy of Life Insurance Corporation of India in the context of Liberalisation of Insurance Sector (a study with special reference to Silchar Division) is called for collection of both primary and secondary data. For secondary data various issues of Annual Reports of Life Insurance Corporation of India, Yogakshema, Life Insurance Plus, Insurance Times, Business Today, Business World, Statistical year books of Life Insurance Corporation of India, Accounts and other published reports like Reports of Insurance Regulatory and Development Authority (IRDA), records and documents from various departments of LIC at Silchar Division have been collected, classified, analysed and interpreted during the entire phase of the study. Interactions and discussions with the officials of the Life Insurance, Silchar Division, have also contributed in augmenting the required data and information. The researcher has visited the Divisional Office of LIC and some of the selected branches under Silchar Division from time to time.

In addition to above a number of Websites relating to insurance business have also been visited for the purpose of data collections.

To strengthen and enforce the secondary data that were the base of the study, field surveys have been conducted. The researcher had collected some first hand information from the policyholders, agents, Development Officers/Branch Managers from selected Branches under Silchar Division to prepare a questionnaire. The researcher has chosen 265 policyholders from different corners of all the States viz. Southern part of Assam, Manipur, Mizoram, and Tripura so that the respondents may be representative of this Divisions irrespective of their cast, creed and income. The questionnaire has been send to the respective policyholders of Imphal, Agartala-I, Udaipur, Aizwal, Haflong,
Kakching, Agartala-II, CAB Imphal, Churachandpur by mailing questionnaire. Responses have been collected from Silchar-I, Karimganj, Silchar-II, Hailakandi and Dharmanagar by making a personal contact with the respondents. Some of them responses well whereas some of them do not at all. Thus the responses received from the policyholders of the different Branches under this Division are presented in Table 1.3.

Table 1.3
POLICY HOLDERS OF DIFFERENT BRANCHES

<table>
<thead>
<tr>
<th>Name of the Branch</th>
<th>No. of policies in 05-06</th>
<th>No. of respondents</th>
<th>Policies owned</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Imphal</td>
<td>13191</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Karimganj</td>
<td>14970</td>
<td>44</td>
<td>-</td>
</tr>
<tr>
<td>Silchar-I</td>
<td>15968</td>
<td>40</td>
<td>7</td>
</tr>
<tr>
<td>Agartala-I</td>
<td>28807</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Udaipur</td>
<td>15767</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dharmanagar</td>
<td>20870</td>
<td>30</td>
<td>4</td>
</tr>
<tr>
<td>Aizwal</td>
<td>7293</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>Hailakandi</td>
<td>12112</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>Churachandpur</td>
<td>7937</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Haflong</td>
<td>6526</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Kakching</td>
<td>5746</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Agartala-II</td>
<td>19151</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CAB, Imphal</td>
<td>4616</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Silchar-II</td>
<td>15758</td>
<td>38</td>
<td>17</td>
</tr>
<tr>
<td>Division</td>
<td>188712</td>
<td>206</td>
<td>59</td>
</tr>
</tbody>
</table>

Source: Questionnaire Data and Annual Reports.

The policyholders selected from different States are also presented below:

Table 1.4
POLICY HOLDERS OF DIFFERENT STATES

<table>
<thead>
<tr>
<th>States</th>
<th>No. of policyholders</th>
<th>Policies owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>206</td>
<td>361</td>
</tr>
<tr>
<td>Manipur</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Tripura</td>
<td>39</td>
<td>62</td>
</tr>
<tr>
<td>Aizwal</td>
<td>9</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>265</td>
<td>462</td>
</tr>
</tbody>
</table>

Source: Questionnaire Data.

The researcher has also examined 68 Development Officers and Agents from different branches of LICI under this Division by judgment random
sampling method so that the respondents may be representatives of this division. The questionnaire has been sent to the respective D. O.s and agents of Imphal, Agartala-I, Udaipur, Aizwal, Haflong, Kakching, Agartala-II, CAB, Imphal, Churachandpur by mailing questionnaire. Responses have been collected from Silchar-I, Karimganj, Silchar-II, Hailakandi and Dharmanagar by making a personal contact with the respondents. Some of them responses well whereas some of them do not at all. Thus the responses received are shown in Table 1.5.

<table>
<thead>
<tr>
<th>Name of the Branch</th>
<th>Development Officers</th>
<th>Agents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of D.O.s' in 05-06</td>
<td>Questionnaire despatched</td>
</tr>
<tr>
<td>Imphal</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>Karimganj</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Silchar-I</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Agartala-I</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Udaipur</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Dharmanagar</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Aizwal</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Hailakandi</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Churachandpur</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Haflong</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Kakching</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Agartala-II</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>CAB, Imphal</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Silchar-II</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Division</td>
<td>134</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Questionnaire Data and Annual Reports.

The different statistical tools and techniques like pie chart, chi square test, comparative growth ratio, t-test, mean value, correlation, percentage etc. have been used to analyze and to interpret the data depending upon the availability of data.

2.8 A Brief Profile of Study area

The study covers the entire area of Silchar Division of LICI. Before started functioning it was working under the Guwahati Division of LICI.
A Profile of Silchar Division

Silchar division has started functioning on 30 th May 1981 covering the operational jurisdiction of four districts of the state of Assam and the entire three states of Mizoram, Manipur and Tripura. The Divisional office is located at Meherpur, Silchar of Cachar district. It covers 65730 sq. kms; whereas 11810 sq.kms. in Assam, 22367 sq.kms. in Manipur, 10486 sq. kms. in Tripura, and 21067 sq. kms. in Mizoram. 24 districts comes under the jurisdiction of this division namely Cachar, Karimganj, Hailakandi and N. C. Hills in Assam; Imphal, Tamenglong, Senapati, Ukhrul, Bishenpur, Churachandpur, Thoubal and Chandal in Manipur; Tripura West, Tripura North, Tripura South and Dhalai in Tripura; Aizwal, Junglei, Mamip, Saiha, Longtlei, Kolashib, Serehip and Champai in Mizoram. Total number of Taluks/Sub-divisions is 51. As per 2001 census there were 96.45 lakhs population in total out of which 31.74 lakhs in Assam; 23.88 lakhs in Manipur; 31.91 lakhs in Tripura and 8.91 lakhs in Mizoram. Total male population was 53.36 lakhs (51.47% of total population) and total female population was 50.32 lakhs (48.53% of total population). Rural population was 70.41 lakhs (81.17% of total population) and urban population was 26.04 lakhs (18.83% of total population). Total insurable population (potential main works) was 31.72 lakhs. In force policies as on 31-03-2004 were 8,82,997. Potential covered were 4.51 lakhs and remaining potential were 27.21 lakhs (85.77% of total insurable population). There are 14 branch offices under this division out of which 13 branches are Conventional Branch and 1 Branch is CAB Branch. Out of these branches, 5 branches are in Assam, 4 in Manipur, 4 in Tripura and 1 in Mizoram. Number of branch offices with FEAP system is 14 (i.e. 100% installation of FEAP). There is only 1 P&GS unit at Silchar (with FEAP). There are 679 Govt. offices and 489 Bank branches under the jurisdiction of this division. Peerless, UTI, Allianz Bajaj Life Insurance is other financial institutions.
Major industries are – (i) Hindustan Paper Corporation Limited at Panchgram in Hailakandi district; (ii) Hydel Project at Khengdong in N.C. Hills; (iii) Kapili Hydro-Electric Project at Umrangshu in N.C. Hills (iv) Loktak Hydro-Electric Project at Bishnupur in Manipur. Besides, Tea, Handloom, Bricks, Cane Industries are small industries of this region. Main agricultural products of this region are rice sugar chillies, banana, ginger, pineapple etc. Inhabitants of this place belong to different linguistic groups. Among the tribals are Dimasa, Hmar, Paite, Chakma, Riang, Kabui, Mao, Zaminaga, Kuki, Karbi Kashi, Rongbhol, Khelna, Bhumiz, Lusai, Munda, Bodo, Tripuri, Kurukh, Garo, Gondi, Mishing, etc. non-tribals are Bengalis, Assamease, Manipuries etc. Major festivals are Durga Puja, Kher Puja, Yaoshang, Ningol Chakkouba (Holi), Cheiraoba (Bhaiya Duj), Maimkert etc.

Break-up insurable population shows 17.49 lakhs (53% of total insurable population) are cultivator, 0.66 lakhs (2% of total insurable population) are agricultural labourers and 14.85 lakhs (45% of total insurable population) are other workers. Segment wise break-up of insurable population shows 2.97 lakhs (9% of total insurable population) are in segment-I, 9.70 lakhs (30% of total insurable population) are in segment-II, 19.47 lakhs (59% of total insurable population) are in segment-III, 0.66 lakhs (2% of the same) are in Segment-IV.

In Assam, Silchar Branch-I and Silchar Branch-II of Cachar District covers an area of 1,809 sq. km.; Hailakandi Branch of Hailakandi District covers an area of 1,327 sq. km; Haflong Branch of N.C. Hills District covers an area of 4,888 sq. km; Imphal Beanch covers Imphal, Tamenglong, Senapati & Ukhrul District covers an area of 13,447 sq. km in the state of Manipur; C C Pur Branch covering Bishenper District covers an area of 5,100 sq. km in the state of Manipur; Kakching Branch covering Thoubal and Chandel District covers an area of 3,820 sq. km in the state of Manipur; Agartala Branch-I and Agartala Branch-II covering West Tripura District covers an area of 3,033 sq.
km in the state of Tripura; Udaipur Branch covering South Tripura District covers an area of 3,909 sq. km in the state of Tripura; Dharmanagar Branch covering North Tripura District covers an area of 35,449 sq. km in the state of Tripura; Aizwal Branch covering Aizwal, Lunglei, Mamip, Saiha, Longtlai, Kolashib and Serehip Districts covers an area of 2,167 sq. km in the state of Mizoram. All the 14 branches under this Division are urban branches as per the definition given by IRDA. The profile of Silchar division and its branches are given in Table 1.6.

### TABLE 1.6

**JURISDICTION OF SILCHAR DIVISION**

<table>
<thead>
<tr>
<th>Name of the Branch</th>
<th>Name of the State</th>
<th>Area in sq. km.</th>
<th>Name of the District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silchar – I</td>
<td>Assam</td>
<td>3,786</td>
<td>Cachar</td>
</tr>
<tr>
<td>Silchar – II</td>
<td>Assam</td>
<td>3,786</td>
<td>Cachar</td>
</tr>
<tr>
<td>Karimganj</td>
<td>Assam</td>
<td>1,809</td>
<td>Karimganj</td>
</tr>
<tr>
<td>Hailakandi</td>
<td>Assam</td>
<td>1,372</td>
<td>Hailakandi</td>
</tr>
<tr>
<td>Haflong</td>
<td>Assam</td>
<td>4,888</td>
<td>N.C.Hills</td>
</tr>
<tr>
<td>Imphal</td>
<td>Manipur</td>
<td>13,447</td>
<td>Imphal, Tamengleng, Senapati, Ukhrul</td>
</tr>
<tr>
<td>CAB Imphal</td>
<td>Manipur</td>
<td>1,228</td>
<td>Imphal</td>
</tr>
<tr>
<td>CC Pur</td>
<td>Manipur</td>
<td>5,100</td>
<td>Bishenpur</td>
</tr>
<tr>
<td>Kakching</td>
<td>Manipur</td>
<td>3,820</td>
<td>Thoubal, Chandel</td>
</tr>
<tr>
<td>Agartala – I</td>
<td>Tripura</td>
<td>3,033</td>
<td>West Tripura</td>
</tr>
<tr>
<td>Agartala – II</td>
<td>Tripura</td>
<td>3,033</td>
<td>West Tripura</td>
</tr>
<tr>
<td>Udaipur</td>
<td>Tripura</td>
<td>3,909</td>
<td>South Tripura</td>
</tr>
<tr>
<td>Dharmanagar</td>
<td>Tripura</td>
<td>3,544</td>
<td>North Tripura, Dhalai</td>
</tr>
<tr>
<td>Aizawl</td>
<td>Mizoram</td>
<td>21,067</td>
<td>Aizawl, Lunglei, Mamip, Saiha, Champai, Longtlai, Kolasib, Serehip</td>
</tr>
</tbody>
</table>

Total B.O.-14 Total State-4 Total Area -65730 sq.kms. Total dists - 24

Source: Socio Economic Profile Silchar Division.

**Profile of Barak Valley and N. C. Hills**

Three districts namely, Cachar, Karimganj and Hailakandi covering a distance of 6,922 sq. km cover Barak valley. North Cachar Hills District in the North, Mizoram in the South, Manipur in the East and Tripura and Bangladesh in the West cover it. The river Barak originated from the Naga Hills flows through East-West of Cachar district. The two tributaries Surma and Kushiara
bifurcated from Barak near Badarpur. The tributaries Jiri, Madhura, Dalu, Jatinga, and Kalaini are the tributaries of Barak in the right and Sonai, Rukhni, Gagra, Shuktara are the same in the left. The tributaries Dhaleswari and Kathakhal (Borni) came from the district of Hailakandi joins the Barak in the right. Similarly, the tributaries Longai and Singla came from the district of Karimganj, joins the Barak in the left.

The ancient history of this valley is known from 1706. The capital of Dimasa was established in 1745. The district Cachar was known as Hidimba State in 1815. The last king of Cachar was shot dead in 24th April 1830 in the fort of Haritikar. David Scot enacted Cachar in 14th August 1832. Captain Thomas Fisher had shifted the head quarter from cherapunji to Doodpatil in 1832-33. Cachar Civil Court came under Calcutta High Court in 1834. In 1836 Cachar district came under Dakha Division. In 1855, tea cultivation started in Barsangan of Cachar district. First established tea companies are Cachar Tea Trading Co., Jalenga Tea Trading Company, and Alombag Tea Trading Co.

North Cachar Hills District is a hilly district of Southern Assam. It is situated in the Northern part of Cachar district, fully covered by hills and mountains. As per 2001 census, the density of population per square Km. of this district was 41. It has total population of 1,86,189 as per 2001 census (including 53 percent male and 47 percent female). The rural and urban population of this district is 77 percent and 23 percent respectively. Among them the male rural population is 52 percent and male urban population is 56 percent. The literacy rate of this district is 58 percent (60 percent male literate and 40 percent female literate). The male-female ratio of this district for the same period was 833 females against 1,000 males. The growth rate of population for the same period was 18.85 percent. Haflong is the major city of this district. The major populations of this district are Hmar, Dimasa and a few other tribes.
State of Manipur at a Glance

Manipur came under the British Rule as a princely state in 1891. The princely state was merged in the Indian Union on 10-05-1949 and was made part “c” state under a Chief Commissioner. In 1950-51, an advisory form of Govt. was introduced and in 1957 Territorial Council replaced this. Later in 1963 Legislative Assembly was established. Manipur became a full-fledged state on 21-01-1972.

Manipur is bordered by Nagaland in the North, Myanmar (Burma) in the South and East, Assam in the South and Mizoram in the Southwest. It covers an area of 22,367 sq. km. (99.35% rural area and 0.65% urban area). Its capital is Imphal. Manipur has a total population of 23,88,634 (rural population 76.11% and urban population 23.88%). The decadal growth rate of population is 30.01 % (1991-2001). The density of population is 107 persons per sq. km. sex ratio of this state are 978 females per 1,000 males. Total number of household is 32,854. The literacy rate of this state is 68.87%. As per 1991 census, out of total population main workers were 38.55% and marginal workers were 3.63% where as others were non-workers. Out of total population 2.02% were SC population and 34.41% were ST population. There were 30 sub-divisions, 31 towns, 2,212 villages in the state. Principal language of this state is Manipuri. Climate of this state was 34.3°C (in 1995) in maximum and 0.0°C (in 1995) in minimum. The beautiful places of Manipur are Sri Govindajee Temple, Saheed Miner, Manipur State Museum, War Cremetories, Manipur Zoological Garden, Kangla I.N.A., and Memorial at Moirang, Loktak Lake and Sendra Island. Major festivals of Manipur are Yaoshang, Ningoe, Chakkauba, Cheitaoba, Lai Haraoba, Ratha Yatra, Keikru, Hitongba, Kwak Yatra, Gang-Ngai, Chumpa, Kut, and Christmas etc. Major tribes of Manipur are Kabui, Kuki, Paite, Tangkluk, Mao, Anal, and Hmar etc. Major crops are rice, sugarcane, maize, orange, pineapple, ginger etc. Indian Airlines connects all the major cities of the country. Dimapur is 215 km. from...
Manipur, is the only railway station nearby. Imphal is connected by road with Dimapur by N. H. Way No. 53 (269 km).

State of Tripura at a Glance

Tripura is a small state, situated in the Southern part of the North-Eastern Frontier region covering an area of 10,186 sq. km. It is bounded by the state Assam in the East and all the other three sides i.e. North, West and South are bordered with Bangladesh. The population of this state as per 2001 census was 31,91,168 out of which 83 percent were rural population and 17 percent were urban population. Among them 16.36 percent were Schedule Caste and 30.95 percent were Schedule Tribe. The administrative set-up was covered by 4 (four) districts namely Tripura West, Tripura South, Tripura North & Dhalai districts. It has 13 Sub-Divisions, 38 R.D.Block/Sub-Blocks and 23 towns/U.A. As per 2001 census 73.66 percent people were literate (age 7 and above). The male literate were 81.47 percent and female literate were 65.41 percent. About 30 percent of populations were main workers. The male female ratio was 950 per thousand. Density of population was 304 per sq. km. The decadal growth of population was 15.74 percent. The major tribes are Tripuri, Chakma, Mogh, Riang, Nalam, Noatia, and Jamatia. Major festivals are Durga Puja, Ganga Puja, Kher Puja and Kharehi Puja. Agartala, the capital of Tripura, is the main city of this state having population 18,327 as per 2001 census. Among them 49.86 percent were male population and 50.14 percent were female population. The ratio female to male was 1,006 per thousand. The literacy rate was 85.05 percent that include male literacy 88.5 percent and female literacy 82.7 percent.

State of Mizoram at a Glance

Mizoram is a hilly state covering an area of 21,067 sq. km. and mostly inhabited by tribal people. The state is having border with three other N.E. States viz. Assam (123kms.), Tripura (66 kms.) and Manipur (95 kms.). It is
also its international border with Myanmar (404 kms) and Bangladesh (318 kms.). Its capital is Aizawl. Mizoram has 8 Districts, 3 Autonomous District Councils, 23 sub-divisions and 22 RD Blocks. Lengpui airport is the means of communications by air. Road communication is connecting the state via Silchar. Railway communication moves up to Bairabi from Kathakal. Major tribes of Mizoram state are Lusai, Ralte, Hmar, Paite, Chakma, Lakhar and Riang. Major festivals are Chapehar Kut, Pawl Kut and Mim Kut.

Total population of Mizoram is 8,91,058 (50.50% rural population and 49.50% urban population). Male population of this state is 51.60% (51.93% rural males and 51.26% urban males) and female population is 48.40% (48.07% rural females and 48.74% urban females). Decadal growth of population is 29.18 % (1991-2001). Density of population is 11 in 2001. Female per 1,000 male is 938 (925 rural and 951 urban). Literacy rate of this state is 88.49% (80.45% rural and 93.64% urban). Total male and female literacy rate are 0.69% and 86.13% respectively. Out of the total population 52.7% are workers (56.25% males and 43.75% females). Among the workers 53.92% are cultivators (50.89% males and 49.11% females), 5.85% are agricultural labourers (47.32% males and 52.68% females), workers in household property is 1.40% (48.14% males and 51.86% females) and 38.83% are other workers (65.34% males and 34.66% females).

1.9 Limitations of the Study

In spite of our best efforts, the study is not without have a number of limitations; the findings of the study should be carefully used for other divisions. Certain degrees of errors are unavoidable in this type of study, which might crop up during the data collection. However, we were fully conscious that more data and information would have made the study more thorough and comprehensive. But because of the inherent limitations of collection of primary and secondary data it could not be possible to do so.
1.10 Organisation of the Study

   The entire study has been segregated into six chapters according to the following scheme:

**Chapter 1:** Introduction.

**Chapter 2:** Growth and Development of Insurance Business in India.

**Chapter 3:** Product and Pricing in LIC.

**Chapter 4:** Customer Services in LIC.

**Chapter 5:** Promotion Strategies in LIC.

**Chapter 6:** Impact of Privatisation on the Performance of LIC.

**Chapter 7:** Summary of Findings, Suggestions and Conclusion.

References


