CHAPTER 2

LITERATURE REVIEW
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A large body of literature on insurance provides the basis for this study. The literature reviewed mainly consists of journals published by the Insurance Institute of India, Federation of Insurance Institute, IRDA and insurance magazines. The researcher has also gone through the websites of various insurance companies and IRDA. An attempt has been made to briefly review previous studies in the area of privatisation, liberalisation, rural insurance, bancassurance, IRDA, customer satisfaction, insurance coverage, insurance marketing and insurance growth.

Harold D. Skipper (2000) in his paper explains the terms liberalisation and deregulation. Liberalisation means the process by which the government take actions to move towards liberal markets. It denotes a reduction of government barriers to market access, especially as relates to foreign insurers. A liberal insurance market is one which determines:

1. who should be allowed to sell insurance?
2. what products should be sold?
3. how the products should be sold?
4. at what price the products should be sold?

Thitivadee Boonyasai, Grace and Skipper (1999) in their study examined the effects of liberalisation and deregulation on the efficiency of life insurers in selected Asian life insurance markets. The life insurance industries selected for examination are those of Korea, Philippines, Taiwan and Thailand. Korea and Philippines undertook
modest liberalisation and deregulation efforts during the decade of 1990’s, but Taiwan and Thailand undertook no deregulation. The liberalisation and deregulation of the Korean and Philippine life insurance industries stimulated improvements in productivity and total efficiency. The evidence suggests that liberalisation and deregulation generated impressive productivity growth for Philippine life insurers. Liberalisation had little effect on the productivity and efficiency of Taiwanese and Thai life insurance industries. The life insurance industries in these countries regressed in terms of efficiency after liberalisation. Liberalisation alone failed to stimulate productivity growth in Korea in 1989. But after partial deregulation in 1993, Korean life insurance industry witnessed significant increase in productivity growth. They conclude that liberalisation alone with a restrictive regulatory regime is unlikely to yield the improvements. In a restrictive regulatory environment, welfare gains will be minimal if deregulation does not closely follow liberalisation.

Harold D. Skipper (2005) addresses the major issues and concerns relating to the liberalisation of the insurance markets from several perspectives. He sets out the role and importance of government policy in insurance and points out that the government intervention in the insurance market is essential but should be carefully targeted to minimise undue interference. He also discusses the role of foreign insurers with particular emphasis on the concerns that have historically been expressed about their roles in national insurance markets of emerging economies and points out that such insurers
should be expected to play an important role in market evolution and development. He also presents a set of principles around which governments should craft their regulation of insurance and suggests that for having a competitive and solvent insurance market, insurance regulation should have the following traits namely,

1. adequacy
2. impartiality
3. minimal instructions
4. transparency

The lesson for the government is to craft laws and enforce regulations that promote more transparent markets supported by fair competition. Competitive insurance market serves each country’s interest. Governments that deny their citizens and business such markets lessen consumer choice and hinder national economic development.

Mathur (2003) has the opinion that joint efforts need to be made by all insurance operators to extend coverage to millions of insurable people who need insurance and points out the need for promoting different distribution channels for expanding rural insurance market. LIC has contributed immensely to the process of economic development through its multi dimensional activities and services over twelve crore policies which is a record for any life insurance company in the world.

Gupta and Chuganee (2001) in their article specify the major steps to be taken by the LIC in order to compete with the new players.
The opening up of the insurance sector has challenged the monopoly of the LIC and in order to withstand competition LIC has to take steps in the areas of products, services and information technology. The excess workforce in the LIC should be utilised in raising business volumes through skill upgradation.

S.B Mathur (2002) mentions the challenges that LIC faces from new entrants having sound background and high brand equity. He also expresses doubts about the ethics of new players who may focus on those areas not covered by LIC. The development officers of LIC must work carefully to ensure that the people are not weaned away from LIC.

Kundu (2003) in his article discusses the various issues in the insurance industry after the entry of new players. India has a low insurance penetration of 1.95 percent. The saving rate in India is 25 percent but only less than five percent is spent on insurance. The market is witnessing a wide array of products from new players. The profile of the consumer is also changing. People are looking for integrated financial solutions that can offer stability of return along with total protection.

Kumar (2003) examines the various issues relating to insurance business in India like liberalisation, privatisation, regulatory issues and future possibilities. He points out the importance of insurance in promoting saving habits and providing safety to rural and urban enterprises and generation of funds for infrastructure building. Foreign companies are required in this vital sector. Even after liberalisation,
nationalised players will continue to hold strong market share positions but there will be enough business for new entrants to be profitable.

P.S Palande, R.S. Shah and M.L. Lunawat (2003) identify the key transformations that are going to exert a tremendous influence on the insurance industry. They point out that non-life insurance is a barometer of industrial growth and life insurance is a barometer of the saving habit of the people. At present there is a wide variety of products in both life and non-life sectors. The LIC’s range includes around 60 products and general insurance companies have a range of 150 products. They envisaged that the liberalisation scene would 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. There will be new players. The foreign insurers will enter through the joint venture route.

3. The range of products and services offered will widen.

4. The industry will be closely regulated.

5. The public sector units will seriously have to set about preparing themselves to face competition.

Sen (2006) analysed the Indian life insurance industry after the privatisation of the insurance market. The entry of private firms will raise both price competition and service competition. The study concludes that there is a hint of movement towards a more competitive regime but
there is a good level of competition among the private companies to capture market share.

S. Krishnamurthy (2005) points out that the life insurance industry has shown extremely satisfactory results in terms of premium income and new policies sold but a huge potential still remains unexploited. Experience suggests that consumers still favour insurance as a saving tool. There is a need to change the perception of Indian consumers towards insurance and it is the responsibility of the distribution channel to advise and educate consumers.

Geetanjali Mehlwal (2006) in her article describes the insurance market as it exists today, its growth potential and the incentive to private insurers from world over. The study suggests that after liberalisation of the insurance industry in March 2000, there has been consistent growth and the current potential premium income of the country is estimated at $80 billion. India is seen as the sixth largest market in the world. In India 80 percent of the population remains without life insurance and only 2.5 percent of the country’s insurable population is currently insured. Though LIC has been in the country for a long time, it did not tap much of the rural market. It mainly concentrated on endowment and money back policies. The private insurance has made good progress despite the existence of public sector players. As a result there is a decline in the new premium business of LIC. Between April 2004 and February 2005, LIC’s first year premium dropped by 9.3 percent i.e. 77.87 percent from a market share of 87.22 percent in the preceding year. The study points out that the insurance business is growing at the rate of 15-20
percent annually. Insurance penetration has increased from 2.32 percent in 2000 to 2.88 percent in 2003. Likewise insurance density has increased from Rs. 435.897 in 2000 to Rs.722.092 in 2003. There has been an increase of 83 percent in the premium collection during the three years following the enactment of the IRDA Act. The premium collected by insurers, both life and non-life is estimated to be about Rs.25,343 billion in the year 2004-2005. The average size of life insurance cover before privatisation which was around Rs.50,000/- has now been risen to Rs.80,000/-.

Geetanjali Mehlwal also mentions about insurance distribution and intermediaries. Insurance companies are making new investments in information technology. Today there are alternate channels like bancassurance, brokers, corporate agents and direct marketing through internet.

Prakash Rao B.K.S. and Bh.Venkateswara Rao (2005) have made an attempt to examine the opportunities for insurers in the rural market. They point out that the new companies entered into insurance business after liberalisation focused their attention mainly in urban areas. Table 2.1 shows that majority of the rural population is uninsured.

<table>
<thead>
<tr>
<th>Total Population (as on July 2002)</th>
<th>1.05 billion</th>
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<tbody>
<tr>
<td>Rural population</td>
<td>72.22%</td>
</tr>
<tr>
<td>Urban population</td>
<td>27.78%</td>
</tr>
<tr>
<td>Insurance penetration in rural markets</td>
<td>26%</td>
</tr>
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</table>

They also listed the challenges in increasing the insurance coverage in rural areas. It was pointed out that the cost of building exclusive delivery systems for selling insurance in rural areas is very high. The second barrier is the paucity of channels to communicate the benefits of products to the entire rural population. They suggest that by establishing network with rural development agencies, banks, cooperative institutions and youth clubs, insurance policies can be sold in rural areas.

Forte (2005) conducted a study on rural insurance market. Majority of the respondents were able to name the types of policy but could not recall the actual name of the policy. Majority purchased money back policies and the penetration of whole life policies was very low. A sum assured of less than Rs.50,000/- accounted for most of the policies taken. A significant number also adopted for a higher value policy of upto Rs. 1,00,000/-. There was a great deal of similarity between the policy actually purchased by respondents and the policy recommended by the agents, suggesting that a great influence is exercised by the agents in the selection of insurance products. It is found that insurance companies have to create awareness about security and savings involved in insurance and develop the felt-need among these potential customers.

Aggarwal (2005) in his article deals with the insurance status of the poor in India. Insurance is more concentrated in relatively financially stable urban areas but the requirement for a cushion to absorb risk is greater among rural and urban poor. Compared to developed countries
the penetration of insurance is very poor in India. Even after liberalisation the poor and the needy find insurance a risky proposition with their uncertain and irregular income. The male literacy rate in India in the year 2000 was 68.4 percent and the female literacy rate was only 45.4 percent. Thus, access is not sufficient in rural areas. Health insurance is extremely limited in India. There is no significant change in the availability of new health insurance products or in the volume of business although a number of private insurance companies have entered the field. Agriculture is the mainstay of the rural people and therefore products and reforms must be designed after considering this segment of the population.

Shobhit and Sanjay Shukla (2005) conducted a study in Lucknow city and its adjoining rural areas to expose the reasons for the failure of insurance players of private sector in attaining a significant share in the rural market. The study revealed that there is a major difference in the objectives and expectations between rural and urban policyholders. Rural population showed high bias towards low premium and maximum risk coverage. In rural areas private players have not achieved much success. The private players have not been able to provide policies preferred by rural people. In urban areas, for the conservative consumers insurance is a tax saving device. In urban areas consumers belonging to the middle income group prefer policies of public sector players and only high income group preferred private sector players. The study also revealed that in urban areas the efficient customer service helped the
market penetration by private players. The major reasons cited for the failure in the rural sector can be summarised as follows.

1. Lack of popular appeal in marketing strategy
2. High variation between services provided and consumers’ expectations
3. High premiums
4. Product differentiation and innovation are not in conformity with the rural population
5. Professional style of working has failed to generate confidence and goodwill as rural population prefers personalised approach and that too in accordance with the regional culture

The above findings reveal that there should be a change in the products, marketing and service strategy of private players of insurance sector.

A. Srujan (2005) in his article explores the current situation in the insurance industry, particularly in rural India. An attempt is made to examine the opportunities and threats in rural insurance markets.

2.1 Opportunities

1. Gigantic population. India has a higher population growth rate. The rural population amounts to seventy two percent and majority of them are left uncovered. This can be a major avenue for the players in the insurance market.
2. Agriculture insurance. Agriculture is the major source of income for rural India. This segment has vast potential which cannot be overlooked.

3. Growth in the income level of the rural population. The rural market contributes up to fifty-five percent of the national GDP.

4. High saving habit. Rural people have high savings habits. Insurance could be an alternate investment opportunity.

2.2 Threats

1. Uneven distribution of population. The Indian population is unevenly distributed. Agents may not find it worthwhile to procure business when customers are scattered.

2. Low literacy levels

3. Rural employment condition

4. Low earnings

5. Traditional saving habits

It is the opportunities and not compulsions which would drive the old and new players to rural India.

U. Jawaharlal (2006) in his article describes the post liberalisation scenario of the insurance industry in rural areas. Even though several insurers accomplished the target assigned at the time of liberalisation, the goals behind assigning the target like spreading the message of insurance in rural areas has not accomplished. He points out that there is a need for identification of the products for the rural people. The
publicity for such products should be done in a language that appeals to the masses. Self-help groups should be welcomed so that the rural people can identify the products available in the market.

Shah (2003) discusses about bancassurance. A bancassurance strategy can succeed only if it provides a cost effective way to build distribution capacity. Bancassurance provides a shift from total dependence on tied agency for existing insurers and it helps to penetrate new market segments. By successfully making their customer data base and leveraging their reputation and distribution system, banks can easily achieve outstanding sales.

Krishnamurthy (2003) explains the factors that would provide an impetus to the bancassurance model in India. The number one factor is the dismantling of regulatory barriers for banks to undertake bancassurance. The RBI has allowed the entry of banks in the insurance sector with practically no restriction. The government has also amended the Banking Regulation Act bringing insurance distribution as a permitted activity. The Ministry of Finance, Government of India, has constituted a bancassurance working group to study the various operational aspects pertaining to the distribution of insurance products by banks with a view to promote active involvement of this channel especially to penetrate rural markets through bank networks. The second factor that would give a push to the bancassurance model in India is the existence of an impressive banking structure. In India there are about 66,500 bank branches and the saving account balances
aggregate Rs 2,79,000/- crores and a client base close to 100 million. These facilities make India an ideal candidate for bancassurance.

Sinha (2005) examines the factors behind bancassurance. Bancassurance in India has taken a flying start. Economies of scale and scope make such an alliance attractive for both parties. He describes some of the long term drivers of bancassurance in India.

1. Banks can offer fee-based income for insurance sales. This can be attractive under current rigid structure of wage benefits.

2. Narrowing bank margins over time, with more competition.

3. Banks can have complementary products with insurance products such as auto insurance, cane insurance etc.

4. When the pension reform is undertaken, banks can become natural institutional vehicles for private pension and products.

5. Health care insurance sector can also benefit from bancassurance. In India only 2.5 million people have access to health care facilities. On the other hand fifty one percent of the personal income is spent on health care. Banks can distribute and facilitate administration of health care insurance. Finally privatisation of insurance sectors segmented an accommodating approach from both the insurance regulators and banking regulators for banks selling insurance products.

Sinha concludes that there are natural synergies between banks and insurance companies. Many life insurance companies expect thirty five percent of their products to be sold through banks within five years.
and general insurance companies expect twenty five percent of their products to be sold through banks within next five years.

Stuart Purdy (2005) in his article writes about the new distribution channels for insurance. Banks have emerged as attractive distribution channels as they are being driven to increase their profitability and provide maximum value to their customers. He points out that the existing wide network of banks in rural areas can be utilised for selling insurance products. He suggests the designing of new products keeping in mind the needs of rural customers.

G.V. Rao (2006) in his article discusses the role of regulators in insurance product development. He points out that a product can succeed only if the transactional and distribution costs are reduced. The existing products have either to be redesigned, improved upon and in exceptional cases even withdrawn. The product must be devised in such a way as to meet the requirements of a large section of people. The insurers should ask the marketing staff to get more customers. More customers means more premium.

Srinivasan K.K. (2006) in his article attempts to identify the key areas of change that require the regulator’s urgent attention. The regulator has to be supportive of industry development. The regulator also has to play a positive role in enhancing international competitiveness of the players. The regulator also has to monitor the rural and social obligations of the insurers. Thus the major areas that require the attention of the regulators are:-
1. Regulation of conglomerates
2. Products and the regulator
3. E-commerce
4. Regulator and consumer confidence
5. Corporate governance
6. Channel proliferation
7. Socio-economic and developmental challenges
8. Integrating technology

Life Insurance Corporation could streamline their marketing programmes on the basis of the valuable recommendations of this research study so that need-based strategies may be formulated to suit the requirements of all segments, especially the rural household sector. The planning wing of LIC Divisional office, Warangal, conducted a study to assess the level of customer satisfaction regarding the services of LIC. The overall conclusions that emerged from the above study are:

1. There is an urgent need for keeping up the tempo of maturity claim settlement operations at the present level.
2. It is necessary to verify policy ledgers every month for omissions in the computer list so that delays can be reduced.

The study reveals the various lapses of the Corporation in the settlement of claims, service of agents and officers and personal attention in the settlement of claims.
K. Prakash Vel (2005) attempts to study the role played by product related factors, service related factors and behavioural factors in the purchase of life insurance policies. The study reveals that the major product related factors influencing the purchase of policies are the range of coverage, fringe benefits, brand name of the insurance policy and the country of origin of the insurer. Fifty eight percent of the respondents give importance to range of coverage, forty four percent to fringe benefit and twenty four percent to brand name. Only twelve percent of the respondents rated the country of origin as extremely important.

The major service related factors influencing the purchase of policies revealed by the study are reliability, assurance, tangibility, empathy and responsiveness. Seventy seven percent of the respondents give importance to reliability, eighty five percent to assurance, eighty five percent to tangibility, seventy five percent to empathy and eighty four percent to responsiveness. The major behaviour related factors influencing the purchase of policies revealed by the study are reference group, motivation, perception, attitude, lifestyle and culture.

As per the study, ninety two percent of the respondents purchased life insurance policies through recommendation by friends, seventy nine percent took insurance policy to ensure a continued stream of income to the family in the event of death. Sixty percent of the respondents are of the opinion that their decision to purchase the life insurance policy is very important. Fifty seven percent of the respondents agree that their lifestyle influence the purchase of life insurance policy. Forty percent of the
respondents feel that their racial backgrounds influence the purchase of life insurance policies.

Venkatesh (1987) in his article discussed the importance of personal servicing to customers and emphasised the importance of satisfying policyholders.

Srabanti Chakravarti (2005) attempts to analyse the inertias of accepting health insurance. He lists the following reasons for low penetration of health insurance:

1. Hazards in claim settlement
2. Information lag
3. Lack of out-patient coverage
4. Lack of interest among the population of good health due to low propensity of ailment

Bh. Venkteswara Rao (2005) in his article analyses the productivity of LIC agents. Productivity of an agent is calculated by dividing the total new business by the number of agents. The study reveals that fifteen percent of LIC agents are highly productive and the remaining eighty five percent are not so productive. Fifteen percent of the agents bring in sixty one percent of the new business while eighty five percent bring in only thirty nine percent of the business.

Rao (1999) in his article examined the growth of life insurance business in terms of new business and coverage area. Life insurance has shown steady progress in relation to a range of macro economic aggregates. The numerical values of various indicators point out the
vast scope for improvement. Growth has been due to dynamic changes that have taken place with the decentralisation of policy servicing of branch offices. The analysis of the zonal business reveals that business is greater in more urbanised zones. Life insurance business continues to be low in terms of coverage and contribution to national income and savings. Considering the trend towards liberalisation, LIC should aim for more autonomy and restructuring programmes. LIC should equip itself to compete in a global world with other private insurers.

Mathur (2003) is of the opinion that joint efforts have to be made by insurers to extend insurance coverage to millions of people. LIC has contributed immensely to the process of economic development. LIC today services over twelve crores policies which is a record for any life insurance company in the world. It settled over 86.55 lakhs claims during the year. The growth rate of first premium income in respect of individual pension plans during the year 2001-02 was 355.15 percent and the growth rate in respect of policies was 120.9 percent. The pension market in India mostly remains untapped which is a potential segment. For low income people, low premium risk cover will be desirable. Policies like Jan Shree Bima Yozana have been launched to meet the requirements of this segment. There is also an urgent need to promote different distribution channels for expanding the rural insurance market.

Samuel (2003) traces the question of insurance market in India. The paper deals with the theoretical aspects, historical perspectives of insurance in India and penetration of insurance in India and investments
of life and non-life insurance. This paper also examines the role of insurance in financial savings of households. There is low penetration and lack of efficiency. Per capita premiums are low when compared to the standards of industrialised countries. It is expected that the overall performance of the insurance sector would improve with the entry of private players. The liberalisation process is expected to bring about better integration of financial markets and promote financial development of the country.

Waston (2004) explains the importance of insurance penetration in the economic development of the country. He is of the opinion that India is under insured but Indian life insurance market displays many essential characteristics of an emerging vibrant and dynamic market.

N. Namasivayam (2006) in his study on the performance of LIC highlighted the following components:

1. Growth of LIC in the new business
2. Dynamic collection of premium
3. Distribution channel of LIC

2.3 Growth of LIC in the new business

As per the results of the study the new business of LIC registered a phenomenal growth. The sum assured in 1965-66 was Rs. 789/-crores whereas it was Rs. 183121 crores in 2004-2005. During 2004-05 LIC issued 235.42 lakh policies in India. In comparison to the performance of LIC in the pre-liberalisation period, this performance is really great.
2.4 **Dynamic collection of premium**

There has been an increase of 643.18 percent in the collection of premium from 1991-92 to 2004-05.

2.5 **Distribution channel of LIC**

About 90 percent of the distribution network of LIC is improper and unproductive. They were selected prior to the promulgation of the guidelines of IRDA.

P. A. Balasubramanian (2006) discusses in detail the various aspects that go into pricing a life insurance product. The major factors that affect life insurance product pricing are:

1. Demographic assumptions
2. Investment return
3. Inflation expenses
4. Expenses and commission
5. Withdrawals

G.V. Rao (2006) in his article talks about the stance that insurers should adopt in the detrififfed regime. The insurers need to demonstrate the consumers that in a post detrififfed scenario, they are much easier and less expensive. He suggests that the insurers have to cut internal costs, improve professional expertise and change the mindset of the consumers.

Sunil Maheswari (2005) points out that agents in the insurance sector in India are critical for the success of the organisation. In order to
gain competitive advantage, quality people are needed but this is a challenge. The quality of agents for this purpose lies in understanding the needs of the customer, analysing their financial status and generating confidence among potential customers. To make the agents give their maximum, the remuneration system needs to be modified and training should be provided covering technical and behavioural skills at different stages of their career.

Ramesh Bhat and M.R. Dixit (2005) discuss the potential of banking channel in the distribution of insurance products. Bancassurance offers ready manpower, customer database and relationship banking making insurance a value addition beneficial to both partners. The challenges of successfully implementing this lies in training the staff, integrating of the insurance products and ensuring best quality service by keeping the product design simple.

G. Gopalakrishna (2006) in his article writes about the importance of claim settlement in life insurance. The promptness with which claims are settled should be considered as one of the major criteria for judging the efficiency of the working of such an office. To attain better customer satisfaction he suggests the following:

1. Certain requirements like age proof and legal evidence of the title for settlement of claims upto a particular amount be dispensed with.

2. Investigation of early claims is waived for small sums assured in appropriate cases.

3. A high level committee be set up to review claim appeals.
Bh. Venkateswara Rao and BKS Prakash Rao (2006) have undertaken a study to assess the investment portfolio and performance of LIC in terms of total funds, investment pattern, statewise investments, industrywise and social sector investments. The following are the major findings which emerged from the study. The investments of LIC are mainly concentrated in stock exchange securities followed by loans. It is also noticed that more than ninety percent of the investments are concentrated in the states such as Andhra Pradesh, Delhi, Gujarat, Karnataka and Tamil Nadu. Around eighty one percent of the investments of LIC are mostly concentrated in social sector and service sector companies. The income from investments in 2002-03 and 2003-04 is far from satisfactory. However in 2004-05, income from investments witnessed a growth trend at 23.89 percent due to upward movements of interest rates. In the changed scenario, LIC has to constantly monitor the business environment.

In view of the above, LIC has to undertake training and development programmes for its non performing agents to make them good performers.

Arman Oza (2006) talks about the role of the intermediary in micro insurance. He opines that conventional models may not be able to accomplish the desired target in the area of micro insurance. He adds that the intermediary has to don the role of an integrated financial advisor if micro insurance has to achieve success.

Khansill (2004) examines the innovation in product design and pricing by LIC. Innovation in life insurance market is attributed to the
initiatives taken by new private companies. The private life insurance companies have joint venture partners from countries operating in US, UK, Germany, Canada and Australia. The practices of the life insurance market of these countries are reflected in the products made available in our country by private life insurance companies. The LIC has introduced two novel products, namely, Jeevan Bharti and Jeevan Saral. These products are very unique. This reflects a change in the product pricing concepts of LIC.

Jayankar (2003) is of opinion that new product innovation, distribution and better use of technology are helping the new breed of private life insurers to expand their business. Earlier the government owned insurance companies had an edge over any other company. With privatisation the private companies are gaining an edge over public sector.

Arunachalam (2004) explains the importance of data mining in the insurance sector when new products are introduced. Executives require all types of information in this fast changing competitive insurance market. Functional managers require critical information relating to the percentage of claims processed in time, comparative profitability, customer feedback and time needed to take appropriate decisions. The key drivers for modern organisations in a competitive environment will be business intelligence derived out of consolidated data available with insurance companies. The price of insurance products depends upon the insurance industry’s claims experience which would be available from the database of premium and incurred claims. New technologies
have to be installed to improve the database and to avoid fraud. This will help in designing and pricing the product.

Yassir A. Pitalwalla (2006) in his article points out that almost all of the thirteen private sector life insurance companies are incurring substantial losses. Insurers need access to substantial capital in order to keep growth. But many private sector insurers are struggling to raise the required capital because the government has not raised the ceiling for FDI in insurance companies from twenty six percent of equity to forty nine percent. This is acting as an artificial constraint on the sector’s ability to raise capital.

Ajit Rande and Rajeev Ahiya (2001) attempt to examine the impact of liberalisation in the Indian insurance sector on savings behaviour. The authors find that as the economy moves from self-insuring to market based insurance, private savings go down with reforms. One of the stated objectives of Indian insurance reforms is to increase savings mobilisation. In the case of insurance, both life and non-life, the impact of insurance reforms on savings is very significant. The study suggests that as social insurance (old age and health insurance, unemployment insurance, disability benefits etc) increases, savings is likely to decrease.

Reddy (1994) in his study makes a comprehensive analysis of marketing programmes of LIC of India to market its products to different segments of customers. He has examined the problem on the basis of evaluation of the perception of different customers’ segments in respect of different components of marketing mix that are essential to meet the
challenges posed by intangibility in service-provider-customer-interaction and customer involvement in service consumption and production.

1. The results of the study suggest that policies with profit plans account for about ninety percent of the total policies sold and policies without profit plans account for about ten percent of the same. Segmentwise analysis of preference of policies also suggest that majority of customers in all segments prefer policies with profit plans.

2. Among the various types of plans, endowment assurance plans account for a major share (92 percent) followed by children’s plans (5 percent) and whole life insurance plans and pension plans (3 percent). Segmentwise analysis also clearly indicates that endowment plans are more popular than other types of insurance plans.

3. Analysis of motives for buying insurance policies indicates that risk coverage is the most important motive in the selection of life insurance policies. Savings motive, income tax relief, marriage and education of children, old age protections are perceived to be the other important motives in their order of preference.

4. Segmentwise analysis of motives reveal the following:-
   a. The professional and managerial group regard income tax relief as the second important motive followed by savings motive.
b. Rural and illiterate segments consider savings as the second important motive. They are not fully conscious of the benefit of risk coverage associated with life insurance plans even though it is their primary motive.

c. Self employed and regular income groups consider old age protection as the second important motive and children’s marriage and education as the third important motive.

5. Some of the insurance plans were hastily introduced without proper planning and research. Consequently LIC incurred heavy loss on account of such short lived plans.

6. While designing new insurance plans by LIC to satisfy the requirements of different segments, systematic and elaborate efforts are not infused to generate new product ideas or to examine them thoroughly from various angles.

7. LIC did not make any serious attempt to design policies to suit the requirements of rural population and the lower income group.

8. Seventy eight percent of the policyholders felt that the services of agents are inevitable for promoting LIC business.

9. Performance rating of the pre purchase service of agents is very high and in the post purchase period service performance rate is very poor.

10. Mortality, rate of interest, service and selling expenses are the important factors taken as the basis for determining premium rates.
The study is a valuable contribution in the area of marketing of products by financial institutions, especially for marketing insurance products. The study identified many lapses in the marketing of life insurance services. In fact, some of the observations of the study point out the fact that product design, premium fixation and service attributes deserve serious attention of the policyholders and the management in view of increased competition and socio-economic transformation.

The Insurance Institute of India (1987) conducted a comprehensive study on marketing of life insurance to examine the extent of life insurance coverage among different segments of the population and to study awareness, attitude and perceptions of customers on insurance products and other financial products. The following are the important conclusions emerged from the study:

1. The prevalence of bank deposits as another avenue of investment is less widespread than life insurance in most of the areas among the segments.
2. Government savings schemes are less popular than bank deposits and all segments having dealings with financial institutions avail of life insurance.
3. Forty percent of the uninsured households reported that they did not need insurance. Twenty percent of the respondents did not take insurance policies since insurance people had not approached
them. Thirty percent considered insurance as a very expensive form of savings schemes.

4. The majority of the members (66 percent) of all segments of household customers bought life insurance policies to provide security to family and tax relief was the second important motive.

5. Another important and interesting finding was that about one seventh of the policyholders are not sure of the various benefits under life insurance.

6. One third of the respondents have reservations about LIC’s sincerity in settling claims promptly.

7. Respondents reported that agents did not maintain regular contact with policyholders.

The findings of this study are very useful in understanding the saving patterns and insurance consciousness of different segments of household segments. Life Insurance Corporation could streamline their marketing programmes on the basis of the valuable recommendation of this research study so that need-based strategies might be formulated to suit the requirements of all segments.

Javeri (2006) examined the marketing issues, marketing challenges and opportunities in the life insurance industry. The major challenges identified are product innovations, distribution, customer service and investments. Apart from these normal issues the new private players have to cope with the challenges of working with a joint venture partner, compete with government entrepreneurs, overcome
regulatory hurdles, change the attitude of new recruits and satisfy very high customer expectations.

Achintya Mandal (2009) examines the level of insurance penetration in India and makes an attempt to describe the present competitive scenario and future challenges and opportunities that the Indian insurance market is going to face. He points out that as a result of liberalisation there has been an improvement in the product range, risk coverage, awareness about insurance and a positive change in the attitude of the public sector insurance companies.

Wylie Stephen (2004) has outlined the issues and strategies associated with bancassurance. In this age of intense competition in the financial service industry, bancassurance hold the key for commercial banks to broaden their income stream. He also examined the different bancassurance models with a conclusion that customer relationship management is the key for the success of bancassurance.

Chennappa D. (2004) examined the history of life insurance industry in India and the various acts and legislations passed from time to time. He also examined the reasons for liberalisation of the insurance sector and the consequent changes in the insurance sector.

Muralidharan (2004) explained in detail the emerging distribution channels in the insurance sector. He examined the different distribution modes such as brokers, bancassurance and internet and also their potential contribution for the growth and development of insurance industry in India.
Pa Keerthi (2009) made an attempt to compare the perception level of services offered by LIC and ICICI Prudential. The study revealed that all the policyholders have certain level of expectations from the services that are to be delivered by an insurance company. Their expectation level varies irrespective of the demographic profile (such as the gender, age, marital status, occupation, education) but they look forward to excellent delivery of services. The study gave an insight into the actual experience of the services provided by the policyholders of both LIC and ICICI Prudential. The study revealed that both LIC and ICICI Prudential do not show any difference in the delivery of services in case of two factors, namely, gender and income of policyholders.

Ashokan (2007) has traced the origin and development of insurance business in India and analysed some of the major issues associated with the entry of private players. The study revealed that the private players are very keen to convert the untapped market potential by providing multitude of products. To cope with the changing scenario, the public sector companies have become aggressive in terms of product offerings, marketing and distribution. The study also revealed that the premium charge is relatively high due to obsolete and inefficient operations. India has a low insurance coverage and the country ranks fifty one position in the world with 1.95 percent insurance penetration.

Sajid Ali (2007) examines the various issues and determinants involving insurance industry in India and in world insurance context. An attempt was also made to critically analyse the performance of various kinds of insurance industries and its genesis with a view to measure the
development of this sector. The study points out that as a result of liberalisation, there has been a remarkable increase in the volume of business, number of policies, premium income and change in the investment pattern of insurance companies.

Krishnaswamy (2009) presents a detailed description about insurance intermediaries, IRDA regulations, insurance products, life insurance claims, bancassurance and insurance marketing and financial planning.

Ravishankar (2002) examined the various concerns regarding the opening up of the insurance sector and concluded that most of the concerns are unfounded. Competition will develop a better understanding of the consumer requirements and lead to the development of customised products apt for the market place. He also identified the marketing mix in the insurance services as product, process and people.

Narayanan H. (2006) analysed the old and new realities in the Indian insurance sector, the post globalisation trend with regard to the total number of insurance companies, equity of life insurance companies, share of private sector and public sector and traced the growth of life insurance business in India.

Alok Mittal and Akash Kumar (2006) in their study made an attempt to identify and explore the factors which the customers seek before selecting the insurance products offered through various life insurance companies. The major factors identified are product attributes,
customer delight, product flexibility, risk coverage, grace period, professional advisor and maturity period. All these factors are rated differently. The most important factor is product attributes and it refers to the product features that the customers take into consideration before selecting an insurance product. The factor that was ranked last was maturity period.

Nalini Prav Tripathy (2006) has conducted a study to determine the position of different private insurance companies in the minds of people and the satisfaction level of customers and agents regarding customer service offered by the company. The study shows that the customers prefer to invest in ICICI Prudential followed by HDFC Standard Life, Tata AIG Life Insurance and Bajaj Allianz and the major factors motivated to invest in these insurance companies are high reputation and good customer relationship management.

Sadhak H (2009) made an attempt to study life insurance industry in India in the backdrop of ongoing globalisation and economic reforms. The study provides an insight into the transition of Indian life insurance industry since 1818. The study also discussed the issues relating to the governance through regulations, ethical business practices in life insurance selling and corporate governance and corporate social responsibility.

Vadlamannati (2008) in his paper analyses the contribution of insurance sector to the economic development of India. He points out that the contribution of insurance sector to the economic development is positive and suggests that in order to make the insurance sector a
more important component of the financial intermediation process, complete deregulation and increase in the pace of reforms are the need of the hour.

David Dror (2007) in his article takes a deep look at the Indian micro insurance scenario and observes that there is a vast potential in the area of micro health insurance in India. He points out that the Indian health insurance is in the vicious circle of poor products, low demand, low willingness to pay, lowering of premiums and further worsening of insurance product or service.

Raju G. (2009) made an attempt to analyse the growth and penetration of life insurance and ascertain the determinants of life insurance purchase. The study revealed that the market share of LIC reduced from 99.46 percent to 81.92 percent during the period 2002-03 to 2006-07 even though the business has grown significantly. Regarding insurance penetration, it increased to 4.1 percent in 2006 from 2.53 percent in 2004. The policyholders are giving more importance to bank deposits and provident fund as an investment option as compared to life insurance policies.

Rao (2007) attempted to ascertain how consumers’ attitude, behaviour and preferences towards life insurance differ depending on language, education, income, age and gender. The study revealed that consumers who are older with higher income or more education are more likely to own life insurance. Consumers have a receptive attitude towards insurance and express confidence in the insurance industry.
Consumers are price conscious and the quality of the customer service and terms of coverage also influence their decision to buy insurance.

Warrier S.R. (2007) is of the opinion that the combination of high potential and low penetration makes India and China attractive for global players. Also, both Indian and Chinese economies have been flourishing, facilitating quicker growth. But this opportunity is not without challenges like difficulties in reaching out to the large population with a huge geographical spread, client friendly regulations which are still emerging and low insurance awareness.

According to Sinha (2005), India is among the important emerging insurance markets in the world. Life insurance will grow very rapidly in India. The major drivers include sound economic fundamentals, a rising middle income class, an improving regulatory framework and rising risk awareness. The fundamental regulatory changes in the insurance sector in 1999 will be critical for future growth. Despite the restriction of twenty six percent on foreign ownership, large foreign insurers have entered the Indian market. State owned insurance companies still have dominant market positions, but this would probably change over the next decade. In the life sector new private insurers are bringing in new products to the market. They also have used innovative distribution channels to reach a broader range of the population.

Sharanya and Geetha (2006) have pointed out that the Indian life insurance market has a large potential considering the country’s huge population, a growing and increasingly affluent middle class and gross domestic savings of around twenty three percent of GDP, now expected
to rise by 6.7 percent. The new insurers are expected to change everything about the insurance industry. Within a short span of time private insurers have acquired thirteen percent of the life insurance market. However, there is still a larger untapped demand for insurance.

Rajendran and Natarajan (2009) in their study made an attempt to compare the overall performance of Life Insurance Corporation of India between pre and post LPG era and also examined the current status, volume of competitions and challenges faced by the LIC of India. The study concludes that the business of LIC in India and outside India is showing an increasing trend and forecasts that the business of LIC will touch Rs. 714014.354 crores in 2012.

Gunaranjan (2007) in his article examined the various challenges of micro insurance. The major challenges identified are creating actuarial data, rationalising underwriting procedures for micro insurance to make them accessible for target clients and assessment of market value at the time of claim.

V.G. Dhanashekaran (2008) examined the role of insurance brokers and the perception of their services and observes that the institution of brokers has made a lot of positive difference to insurance business in India and is growing stronger. The broker has now become a risk consultant providing various value added services. The result of the survey reaffirm that the brokers are making a difference to the customers’ business by anticipating trends, understanding risks, offering choice, structuring insurance programme and management of claims.
Sudarsana Reddy (2004) has analysed the customers’ opinion on policies between private insurance companies and public insurance companies and also identified customers’ expectations on private insurance companies’ policies. He stated that most of the respondents felt that the policies offered by the private insurance companies were upto the expectations of customers.

Jawaharlal and Pareek (2006) have looked into the need for rendering an efficient customer service in the life insurance sector. It was found that at the time of claim settlement, agents and brokers did not concentrate on delivering quality customer services. Lack of education and training of intermediaries were the major constraints in providing quality service. It was recommended that the companies should keep strong information technology infrastructure to support both customers and its intermediaries.

The review of the available literature shows that although there are a number of studies and general descriptions about the different aspects of insurance sector, there is no specific study relating to the impact of reforms on the insurance industry in India. To a certain extent this study will fill this gap.