Chapter – II

Review of Literature
CHAPTER- II

REVIEW OF LITERATURE

2.1. Introduction

Review of literature is a critical summary of research on a topic of interest, often prepared to put a research problem in a context. A review included a research report, which include a brief literature reviews with their introduction. To provide readers with a quick overview of the being addressed document the need for the new study & demonstrate how it will contribute to existing evidence.

Review of literature is conducted to generate a theoretical and scientific knowledge about particulars phenomenon and results in a synthesis of what is known and unknown about that phenomenon. The primary purpose of literature is to gain a broad background that available related to problems in conducting research, the literature review facilitates selecting a problem and purpose, developing a frame work and formulating a lesson plan. Literature review is a key step in research process. Review of relevant literature is an analysis and synthesis of research sources to generate a picture of what is known about a particular situation and knowledge gaps that exist in the situation. In order to attempt the goal in the present study, an attempt has been made to review and discuss the literature.
R. Vaidyanathan discuss financial convergence and regulation in insurance, in his journal suggested there is no legislative framework for considering the complex nature of the working of financial conglomerates. So the new framework should be developed to monitor the activities in right kind of system.

Dr. Santosh Dhar & Dr. Upinder Dhar Tries to focus in the context of global scenario, India cannot remain isolated. It is evident that the existing players need to be geared up to face the competition. The new players will have to focus on the new and emerging customer requirements. The existing players will also have to take care of customer specific issue and requirements. As a matter of fact, custom-based products will have to be designed so as to suit specific customer needs. New products have to be designed for large corporate groups. Insurance industry is going to witness a vast change in its marketing set up as well as its marketing strategies. The existing and new players will have to devise different strategies to retain and enhance their market share. This would be done by bringing in new practice, setting new services standards and creating new benchmarks.

1 R. Vaidyanathan, Professor of finance, IIM, Bangalore “Financial coverage and Regulation in Insurance” Insurance theory and practice Vol.3 August2007, PP.15.

2 Dr. Santosh Dhar & Dr. Upinder Dhar Professor and Director, Prestige institute of Management and Research centre, Indore. “Insurance Industry in India- An insight” Vol.3 August 2007, PP. 17-25.
Dodds J.C. & Croom Helm\(^3\) critically analyze the investment behavior of life insurance companies with an aim to provide guidelines to set the future investment pattern.

Alok Mittal & Akash Kumar\(^4\) has attempted to study the importance of information and brings out the factors affecting selection of Life insurance productions, more and more customers demanding innovative insurance solutions to their problems, insurers are competing with each other. Still life insurance products are more attractive to the investors. The factor identified in the study provide key information regarding investor’s preference that will guide future life insurance product managers.

Marks.S.Dorfman\(^5\) explain the fundamentals of insurance and various form of insurance such as life, fire, marine, all basic aspects of life insurance are discussed in detailed manner.

Hubner S.S. & Kenneth Black Jr.\(^6\) have dealt with Life Insurance & Health Insurance different types of life Insurance products and different forms of health insurance are described. Mathematics of pricing of various products organizational and marketing aspects of insurance companies is discussed at length.

---


\(^4\) Alok Mittal, Senior faculty (Marketing) Shri RGP Gujarati Professional institute, Indore and Akash Kumar Senior faculty, Alumnus, Prestige Institute of Management Research, Indore.


Michael Theil\textsuperscript{7} analyses the demographic variables and the appraisal of insurance with a case analysis, pertaining to assistance products. Additional features to traditional products are referred to as assistance products. A consumer survey was conducted to find the demographic characteristics and the related assistance products. It also analysis the consumers’ judgement towards new class of insurance products. The study reveals that variable used in the survey is different and there is a weak relationship between consumer’s judgement and class of products as demographic variables are not performing as expected, it seems advisable to focus on alternate factors.

Prof. G. Prabharara\textsuperscript{8} says days of grace or grace period is the 'extra time' given to the policyholder for payment of installment premium after the due date, during which the policy remains in force. It is normally provided for a period of a fortnight to a month. Grace period is meant to be a convenience to the policyholders, some of whom may not be able to pay the premium on time due to certain preoccupations.

Pramod Pathak and Saumya singh (2003)\textsuperscript{9} in their research try to find out the competitiveness of LIC in view of entry of new players and carried out as SWOT analysis to suggest some strategies. The objective of the study was to help the public sector insurance giant to increase the market share, to help LIC

\textsuperscript{8} Prof G. Prabharara, Vol-V, No. IRDA Journal March 2007 Page no. 23.
\textsuperscript{9} Pramod Pathak and Saumya singh “Increasing competitiveness through Marketing – A case study of Life insurance corporation of India” The alternative journal Vol.2 No.1 Oct 02 to March 03, pp 32-38.
to retain old customers, and to attract new customers. The study also emphasizes on customer satisfaction and quality services. The methodology applied is through open-ended interview with the customer to find out perceptions and expectations. Hundred customers in Dhanabad and its surrounding areas were selected through convenience sampling to collect information on sum assured and annual premium paid etc. The finding of the study was that majority of customers were graduates, who felt that main work of LIC is to insure human life. Majority of the respondents preferred only money back polices and Biama Nivesh covering single premium.

Vasanthi Srinivasan, Prakash and sithramu (2001)\textsuperscript{10} explore the changes taking place in management of agents in liberalized economy. The objectives of the study were to identify the competencies required and methodology adopted for selecting the effective agents. A sample of 15 agents ranging between 28-47 years, representative, and customers of agents was taken for qualitative solution. The findings indicated that a professional competency is necessary for successful insurance agents. The study also highlights the analysis of industry, how to manage agents to develop competencies and domain experts in the selection of agents.

Churchill E.Gug\textsuperscript{11} discusses at length the concepts of presents value and accumulated value he opines that compound interest acts as a bridge between present value and accumulated value. He says that insurance premium that is


equal to present value of future claim. It reveals that the period of investment (insurance term) and rate of interest will determine the present value of a future claim or future accumulated value of present payment.

George H. Harris\textsuperscript{12} explains that selling life insurance is an art that is acquired by one through experience and exposure but not through teaching. However, the author discusses the requirements of infrastructure such as selling principles. According to him, planning is essential for an agent to succeed in the job of selling insurance.

Agarwal R.F. (2001)\textsuperscript{13} has attempted to study the importance of information technology in the insurance industry and brings out the efficient need of providing improved services when there is completion due to private entry. In an insurance company the service of it may be utilized in many areas like customer service, claim management, human resources etc. It is assumed that to have an overall increase in the size of the insurance market, information technology must be used on a much vigorous basis for more extensive penetration.

Margrot Naylor\textsuperscript{14} says that death is inevitable and hence life insurance is necessary for all. Different types of plans are discussed to analyze their respective benefits from investment as well as tax benefits point of view.

\textsuperscript{12} George H. Harris “Life Insurance Salesmanship”. Stone and Cox Ltd. Fleet Street London 1944.
\textsuperscript{13} Agarwal R.F. “Role information technology in the insurance Industry” charted secretary Aug 2001 pp 235-237.
Arthur Tarn\textsuperscript{15} discusses the concepts of life insurance and explain the types of life insurance plans and their feature.

Anderson J.L. and Dow J.B.\textsuperscript{16} deal with the basic for construction of mortality tables.

Hubner S.S.\textsuperscript{17} in his book, explain the economic value of human life. The economic importance of human life is comparable to the economic importance of property, business etc. Life insurance is the most practical way protecting the economic value of human life just as the general insurance to protect the economic value of properties & business affairs.

Robert Riegal and Jerone S, Nillar\textsuperscript{18} discuss the General principles of Insurance relevant to the chemistry of insurance concept.

Underwood R.E.\textsuperscript{19} sets the basis of compound interest and table of mortality that play significant role in calculating insurance premium.

Desai D.R.\textsuperscript{20} stresses the historical background of life insurance industry in India and its growth since nationalization.

Alok Tewary\textsuperscript{21} (2003) in his article states that skills and experience is necessary to tap the employment opportunities arising from the liberalization of

\textsuperscript{17} Hubner S.S. “The Economic Life of Insurance application century Grofs Insurance” New York 1944.
\textsuperscript{20} Desai D.R. “L.T India- is history and dimension of growth” McMillion India, New Delhi, 1973.
insurance sector. He brings out the difference between pure risk and speculative risk, where pure risk can be overcome only through the techniques of risk management. Insurance business needs lot of capital, skill and talent to manage the marketing treasury operations, administration and vigilance. He discusses on the eligibility criteria for banks to enter into insurance business, the capital adequacy ratio of the bank should not be less that 10% and NDA levels of the bank should be reasonable etc.

Mishra K.C. and Simita Mishra (2000)\textsuperscript{22} brings the position of insurance compared with European countries, where life insurance accounts for 58% of global direct premium and non-life 42% during the year 1997. The study states that the need for insurance arises when economic activity increases, family becomes nuclear, kins gets geographically dispersed and individual become more dependent on employment. The author analyses the to ten largest insurance markets and how they are ranked by revenue in the year 1998.

Sesha Ayyar V.\textsuperscript{23} in his article entitled “Product development discuss various issues in developing new polices such as the importance of developing new products and various problems involved in the development of product in LIC. He recommends the need for including ancillary benefits in the polices such as accident benefit, disablement benefits and hospitalization benefits.

\textsuperscript{22} Mishra K.C & Simita Mishra “Global Insurance Market structure” the Management Accounts Vol. 35 No.1 Jan 2000 pp 51-54.

\textsuperscript{23} Sesha Ayyar V. “Product Development” Yogakshema July 1986, Page 16.
Rajan Sexena\textsuperscript{24} in his article entitled “Marketing of Life Insurance Services” discusses various issues relating to the life insurance marketing. The author’s insistence on the importance of applicability of marketing concepts to the life insurance and the need for various strategies in the marketing of life insurance in quite interactive.

Pradeep Gupta and Sanjay Bhayana (2002)\textsuperscript{25} discussed the challenges and strategies in the insurance industry in India. An attempt was made to know the market position of different insurance brands and business practice codes given by IRDA to maintain some minimum standard. As per study, after liberalization in Nov, 1999, awareness of LIC brand shows 100\% as against ICICI prudential awareness 70\%, followed by HDFC, with 52\%.

Robert Meliy and Robert W. Osler\textsuperscript{26} deal with the principles of life insurance in a detailed manner whereas Walter & Thome discuss the importance aspect to be kept in mind by an insurance company to safe guard the money collected from public. The authors adopt the policyholders point of view while suggesting way to safe guard the life insurance estates.

Rajkumar\textsuperscript{27} study on “The Role of Insurance Advertisement” explain the problem involved in insurance advertising and comes to suggest certain measure to improve the advertising effectiveness in LIC. He contends to use

\begin{itemize}
\item \textsuperscript{24} Rajan Sexena “Marketing of Life Insurance Services”, Yogakshema Dec 1986.
\item \textsuperscript{26} Robert Meliy and Robert W. Osler “Modern Life insurance “ McMillan Company, Toronto 1962.
\item \textsuperscript{27} Raj Kumar “The Role of Insurance Advertisement” Indian Journal of Market, July 1985, Page 32.
\end{itemize}
humour in advertising to capture the attention of prospective customers. He also emphasizes the need for carrying the message of life insurance to the people, without creating unpleasant feelings. He also advocates protecting of the copy before it’s advertised.

Gidhagen (1998)\textsuperscript{28} has made an attempt to develop a conceptual framework from a relationship perspective for the study of insurance service marketing. Deregulation and internationalization have created a new, increasingly competitive business climate. The focus of this research work is on the relationship between insurance companies and their corporate customers.

Seetarmaiah\textsuperscript{29} in his article entitled “Fluctuations in new business” identifies the reasons for heavy concentration of new business of the year ending months. He suggested some steps to control the heavy rush in the year ending. This includes shifting the year of closing to September spreading the agency recruitment activating in the year greater credit for the premium received in the Iqty. consistence of business, inflow as one of the criteria for eligibility of club membership special rebate of premium in the lean month and promotion and posting official to computed by the first week of April.

\textsuperscript{28} Gidhagen, Mikael “Insurance marketing- Services and relationships” Uppsala University, Sweden, 1998.

\textsuperscript{29} Seetarmaiah - “Fluctuations in new business”, Yogakshema, December 1982.
Prof. P.C. James by understanding the probabilities of the occurrence of risks leading to loss, it is possible to convert risk situations into catalysts for driving the economic momentum in society. In fact that insurance is public good; regulation, self-regulations and standards normally requires that rates and terms are fair, reasonable and not excessive’

Swapan Bakshi tried to focus issues on the potential growth in insurance business and the infrastructure for banks to adopt the strategies for success in a competitive environment. While opportunities are immense and the challenges are formidable, the prospects and problems for banks planning to foray into insurance are well discussed. Entry of private players may erode the deposit base of banks, since life insurance – linked saving more attractive, and also competitive advantages, flexibility and gestation period. The potential threat to deposit may be the factors considered for banks to go for both life and non-life sector.

Ajay K. Ranjan and Mukesh Dhunna (2002) analyzed the social implications in opening up of insurance sector to private players to find reasons as to why there was private entry after nationalization, what are the social issues so far and how the reforms in Indian insurance industry. The reason for private players, based on competition is to enhance resource utilization,

---

30 Prof. P.C James, Volume VI, No. 3 February 2008 “Planning for the Risk Economy Role of the Individual”, Page No. 10.
reduction in premium cost, funds to mobilize domestically, better pay packages and to attract inflow of foreign capital. The study also reveals that most of the private players concentrate on business only in urban.

Prof. R.L. Carter\textsuperscript{33} writes "Reinsurance Treaties and Reinsurance Policies are not synonymous; reinsurance treaties are contracts 'for' insurance and reinsurance policies or cessions are contracts 'of' insurance".

Venkatesh N.C.\textsuperscript{34} in his article entitled “On the trial of better services” discusses the importance of better and personal servicing to the customers and emphasizes the importance of satisfying the policy holders. In 1987, the planning wing of the LIC of India divisional office, Warangal conducted a sample survey on customers’ satisfaction. The objective of study were to find the level of customers satisfaction regarding the service of LIC of India, particularly on the aspects such as timely dispatch of discharge forms, reminders the cooperation given by agent or development officer courtesy and sympathy of corporation officials, receipts of the policy amount.

Malliga R. (2000)\textsuperscript{35} in her study examines the association between socio-economic status, personality traits of the agents and the performance in Tirunelveli, Tuticorin and Kanyakumari districts. Further, the impact of marketing strategies and attitude of the agents towards the organization on the performance is studies with a sample of 100 respondents using stratified

random sampling. The results of the data show that performance of the agents in terms of numbers of policies, the sum assured and the total commission received was found to be dependent on the socio-economic status. There is a significant correlation between marketing strategies of the agents and their performance.

Dr. G. Gopalakrishna\textsuperscript{36} says that the consumer protection act has brought a new wave of awareness in the common consumer about his rights which augurs well for the betterment of the market place. A consumer is a person who buys goods or avails of any service for a consideration. The various aspects relating to consumer welfare affect the entire population of the country, as everyone is a consumer in one way or the other, therefore, ensuring consumer welfare becomes the responsibility of the state.

Nikhil Gupta (2001)\textsuperscript{37} in his article views that among the strategies that Indian insures adopt, best opportunity lies in the product’s core function that is in providing a safety net. Though insurance is pooling of resources to help a few in distress, it certainly requires refining the notion of responsibility. The author brings out the highlights in rising proportional aspects, penetration level and other projected macro-factors along with global insurance market during the year 1999. Each private player’s view points are to sell the product for customers at their own risk. Protection is discussed separately with their capital base, centre owned, number of agents and free look period.


B.S.R. Rao and Appa Rao Machiraj in their article entitled “Life Insurance and Emerging Trends in Financial Service Market” contends that the agent of Life insurance should upgrade their service to the level of financial counselors, they stressed that the agents need to have a good graph of the continuously changing economic environment in which they are opening. According to the author, a proper understanding of the environment, characteristics, strengths and weakness of the available financial instruments and the changing scenario would be the immense advantages for the proper and successful functioning of LIC of India marketing fore.

Sri Dr Zeti Akhtar Aziz A differentiated regulatory approach will increasingly be adopted, where companies that exhibit strong corporate governance and risk management practices will be given greater regulatory flexibility.

According to Grönroos C. (1982), the quality of a service perceived by customers will differ depending on what strategy the company chooses to deliver and promote the service. The service quality model by Grönroos holds that the quality of a service, as it is perceived by the customer, can be divided into technical quality and functional quality.

---

39 Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz.
David Chandrasekharan, the author emphasizes that identifying the right product is the first step towards ethical selling. He adds that although it sounds very simple, it is hard to accomplish, considering the numerous ‘factors’ that go into a sale. He concludes that ethics in insurance selling has always been an oft-debated subject among insurance people. The fact that the subject is often talked about is a sure enough indication of its importance and the concern that insurance selling should be ethical.

Parasuraman A. (1985, 1988) showed that service quality could be measured as the discrepancy between perceived and expected service through five dimensions: Reliability—ability to perform the promised service dependably and accurately, Responsiveness—willingness to help customers and provide prompt service, Assurance—ability to inspire trust and confidence, Empathy—the caring, individualized attention provided to customers and Tangibles.

Gronroos C. (1984) discusses the technical (outcome) quality of service encounters, i.e. what is received by the customers’ and the functional quality of the process, in way the service is delivered together with the corporate image dimension of quality.

---

41 David Chandrasekharan - Retired executive Director, Life Insurance Corporation of India, Hyderabad.
B. Balaji Sathya Narayanan\textsuperscript{44} in his article attempts to decode the mystery of pension plans and assist people to zeroing down to an apt pension plan. Initially, it deals with the fundamentals of Unit linked pension plan (ULPP) and on how it works. It explains how it is different from traditional insurance plan and discusses the basis for selecting an appropriate ULPP will prove to be beneficial at the time of retirement.

Linda chase- Jenkins and Ian Farr\textsuperscript{45} in his study examined a boundary for decisions, a clear articulation of preferences for risk – taking is an essential foundation for a sound system of risk control and provide a framework for strategic decision – making.

TS. Ramakrishna Rao\textsuperscript{46} in his article entitled "Shop assurance" discusses the shopassurance is an example of a dedicated over- the counter channel through which insurance products are being sold employing the existing business networks. The introduction of such a new channel in a developing insurance market like ours is not without challenge. The article discussed in detailed the prospects and challenges for adopting the shop assurance model in India.

\textsuperscript{44} B.Balaji Sathya Narayanan Lecturer Dept of Business administration, St Michael college of Engineering and technology, Kalaiyar Koil, Tamil Nadu. (Page No. 47) July 2008, Insurance – Chronicle.

\textsuperscript{45} Linda chase- Jenkins and Ian Farr Principal and chief operating officer, towers perrin’s global enterprise risk management tem, New York. The article was first published in January issue of Towers Perrin emphasis magazine.

\textsuperscript{46} T.S. Ramakrishna Rao Associate Dean, academic wing, the ICFAI University, Hyderabad and consulting Editor, Insurance chronicle.
Dr. G.S. Gireesh Kumar and Eldhose\textsuperscript{47} in his article discussed in detail, the insurance industry landscape in India has dramatically changed. New delivery channels - bancassurance, corporate agents, brokers, MFIs, post offices, SHGs and direct selling through internet- have totally revolutionized the process of insurance selling. An attempt is made to compare the knowledge level of insurance products, service quality and problems confronted by the customers across public and private sectors.

V.N.S. Pillai\textsuperscript{48} his article entitled “Life Insurance Business” the business of effecting of contracts of insurance upon human life, including any contract whereby the payment money is assured on death (except death by accident only) or the happening of any contingency dependent on human life, and any contract which is subject to payment of premium for a team dependent on human life and shall be deemed to be.

John P. Murray, Jr. John L. Lastovicka and Surendra N. Singh (1992)\textsuperscript{49} examined the role of advertising likeability in predicting the performance of ad campaigns. The likeability level varied from high to low from one product to another. The findings of the study were based on an experimental design and are proving whether advertising likeability causes purchase, because individuals who like the ad could be different individuals from those who

\textsuperscript{47} Dr. G.S. Gireesh Kumar and Eldhose Lecturer senior scale, Post Graduate & Research Department of commerce, Nirmala College, Muvattupuzha, Kerela.
purchase the product. Four different ads were used in the study and for each ad the ad likeability in the copy test significantly predicted brand attitude but failed to predict campaign-induced brand attitude in the post test.

Kirti Dutta (2009)\(^{50}\) in her study on consumer beliefs and attitudes towards advertising media concluded that the imperative for marketers is to create advertisements that are believable and contain relevant information about the product. The messages in the advertisements should focus on benefits and attributes with the required amount of creativity in it to get maximum results.

R. Brent Cooper and Dana Harbin\(^{51}\) there are specific events that must occur to “trigger” insurance coverage under any given type of insurance policy. The word ‘trigger’ is used in the insurance context as a term of art meaning the event the activates coverage under one or more insurance policies. In his study the trigger of coverage problem arises in determining exactly what should take place within the policy’s effective dates to trigger coverage.

Vijay Vora\(^{52}\) in his study training is continuous process need-based training is most advantages to customers and producers/providers. This will give added advantages and comforts to customers and profits/surplus to the producer. Insurance is very technical subject. It involves a knowledge of medical and health science, law, statistics, financial market and so on. When


\(^{51}\) R. Brent Cooper and Dana Harbin Shareholder in the dallas office of cooper & scully, international risk management institute, Insurance 2008.

\(^{52}\) Vijay vora- IRDA Journal Volume I, No. 5, APRIL 2003.
growth in sales and in turn profits. At the IRDA the consumer is now the focus of training.

Hofested G.\textsuperscript{53} stated the major function of life insurance is to protect against financial loss from loss of human life. Besides covering the risk of death, it covers the risks of disability, critical illness and superannuation. Life insurance is therefore developed as economic component of human life. Any event affecting an individual’s earning capacity has an impact on the individual’s human life value. This event may be premature death, incapacity, retirement or unemployment.

Cawley and Philipson (1999)\textsuperscript{54} in the life insurance market, provide evidence against the existence of adverse selection using multiple data sources. In particular, using the HRS dataset, they show that both the self-reported mortality and the estimated actual mortality are negatively or neutrally correlated with coverage, after controlling for age, gender, smoking status, marital status, income and wealth and bequest motives. In other words, their results imply that higher-risk individuals are less likely or at least not more likely to have life insurance coverage than the lower-risk individuals. They suggest that a potential explanation for their findings is that individual policyholders may not have better information about their mortality risk than the life insurers after underwriting.


Hendel and Lizzeri (2003)\textsuperscript{55} study the properties of long-term contracts in the framework of a dynamic model with symmetric learning and one-sided commitment and find empirical support for the predictions of the model using data from the life insurance market. In particular, they show that all types of life insurance contracts in their sample involve front-loading (i.e., prepaying the premiums); that the more front-loaded contracts are associated with lower lapsation and lower present discounted value of premiums over the coverage period. They argue that asymmetric information, among others, is not a plausible alternative explanation for their findings.

Chiappori (2005)\textsuperscript{56} in his study revealed that a positive correlation between risk outcome and insurance coverage, conditional on the observables used in pricing.

Bitner, Booms and Mohr (1994)\textsuperscript{57} defined service quality as ‘the consumer’s overall impression of the relative inferiority / superiority of the organization and its service’. Therefore, service quality is key of survival of all servicing companies.


Cronin J.J. and Taylor S.A. (1994)\textsuperscript{58} viewed service quality as a form of attitude representing a long-run overall evaluation. Maintaining service quality at certain level and improving service quality must be life-time efforts to those companies who desire life-time prosperity in customers heart.

Parasuraman A., Zeithaml V.A. and Berry L.L. (1985)\textsuperscript{59} in his article service quality as a ‘function of the difference between expectation and performance along the quality dimensions’.

Clemon, Hitt and Croson (2004)\textsuperscript{60} in his study there are three principal issues i.e. transparency, disintermediation and different pricing that will determine the transformation of retail financial services, including life insurance companies. The author have postulated that financial services industries are giving to be transformed by these three trends.

\textbf{Policyholders General Review}

\begin{itemize}
  \item LIC is owned by the government and therefore it is the only company besides the PPF that has the sovereign guarantee of the govt. of India. It is a different story that today LIC has become so powerful that the govt. leans on LIC every time that the Stock Market crashes. Imagine having an Asset base of over Rs.6 Lakh Crore that’s a 14 digit number! No company in India can boast of such figures. Mind blowing.
\end{itemize}


LIC the only Life Insurance Company is making profits. Most of the Private Insurers including the self proclaimed market leaders like ICICI and Bajaj Allianz are booking heavy losses. Check IRDA website in the Annual Report column. The point is that if an insurance company makes losses year over year, then how will they manage to pay the Claim amount? After all no Insurance company is here to do charity business.

When it comes to paying claims, again LIC is Number One with the claims settlement ratio of more than 99%. Private Insurers cannot match LIC’s ability on claims settlement.

LIC has the world’s largest sales force, yes over 10 lakh agents and now universities in western countries are trying to study how a company managed to appoint such a large sales force. A sales force of over 1 million! Truly a remarkable achievement.

Many people argue that LIC has not been able to penetrate the market as it has insured only 15% of the population. My point is, in a developing country like India where there are so many people living below the poverty line, so many people who die of starvation, so many people who don’t have access to basic medication, so many people who don’t have basic necessities of life like food, shelter, education and clothing. Will such a person first feed his children or buy Insurance? Lets not forget that a majority of the Indian population is poor and a substantial percentage is living below the poverty line. At a personal level I feel that LIC has done a good job.
2.2. Summary

The purpose of this chapter was to explain the connections between customer satisfaction, ‘word of mouth’, relationship and loyalty based on the theory found from recent literature. The chapter also described the key elements behind outsourcing, since that is the main issue which raises questions about of dissatisfaction in the Indian insurance industry at the moment.

The above review shows that most of the studies of policyholder satisfaction have been carried out in Public and Private insurance companies. The few studies of private companies have not covered policyholder satisfaction of the private life insurance companies. Selection of a few units for study, limited samples, ignorance of customer behavior, lack of due attention to agent and development officers were the limitation of this studies. Hence the careful study is essential in this regard. In this background, the present study is an attempt to fill in the research gap in these areas. This study with its coverage of selected Life Insurance Corporation of India in Thanjavur Division with a sample of 300 policyholders. An attempt has also been made to study the policyholder behaviour, customer representative activities and recent concept of marketing management.