CHAPTER - II

REVIEW OF LITERATURE

This chapter examines the significant studies carried out by the researchers on life insurance business. Some are empirical and some are theoretical. Hence both the research studies relating to life insurance conducted in India and abroad are reviewed as under:

2.1 EMPIRICAL STUDIES:

Mark J.Browne, Kihong Kim[1] (1993) analysed the life insurance demand internationally and identified factors that lead to variations in the demand for life insurance across countries. Important factors listed were dependency ratio, national income, government spending on social security, inflation, religion and price of insurance. Of these variables, two variables income and inflation were statistically significant. The income variable is positively correlated with life insurance. The findings suggest that economic development and stability greatly increase life insurance consumption.

Shotick.A.Joyee and Showers E.Vince[2] (1994) augment the empirical literature on insurance demand by examining the impact of selected economic and social factors on the purchase of insurance. To account for the fact that not every household purchases insurance, a Tobit procedure is used to estimate marginal impacts on purchases as well as the changes in the probability of purchasing insurance. Demand effects are dominated by the marginal impacts from existing purchases of insurance. Although income and number of earners are both positively related to the demand for insurance, the marginal effect from an increase in income is greater for single earner households than for multi earner households. Also, as either family size or age increases the marginal increase in insurance expenditure diminishes.

Gandoliji, AnnaSachko and Miners, Lawrence[3] (1996) analysed the gender based differences in life insurance ownership and examines the differences that exists between them relative to life insurance coverage. In addition, the impact of household production function variables on life insurance is investigated and differences in their effect for husbands and wives are highlighted. The results indicate that there are meaningful differences between husbands and wives in their demand for life insurance functions. Many of the differences in amounts of coverage seen attributable to the wife's labor force participation and the increase in the number of women in the labor force has accounted for much of the increase in wife's life insurance over the last few decades. However, there is evidence that in addition to insuring money income, contributions to household production also influence the purchase of life insurance.

Rao.D.Tripathi[4] **(1999)** analyzed the growth of life insurance business which has shown a steady progress in relation to a range of macro-economic aggregates. Growth has been due to the organizational changes that have taken place with the decentralization of functioning of divisional offices. There is also increase in rural business and group insurance business since mid-1970's. The analysis of zonal business reveals that business is greater in the more urbanized zones. In spite of this life business continues to be low in terms of coverage and contribution to national income and savings. Considering the trend towards liberalization, LIC should aim for more autonomy and restructuring programmes. LIC can equip itself to compete in a global world with other private insurers.

Dr.P.K.Gupta[5] **(2000)** examines the present state of affairs of rural life Insurance in India and attempts to explore the causes, which led to poor penetration of rural life insurance markets. A survey of the rural customers has been conducted to examine their perception and attitude towards buying life insurance products. The paper analyses the rural insurance marketing and performances of private life insurance players in India. The study concluded that the keys to success in insurance penetration in rural areas for private players are accessibility, reasonably priced products, effective communication and after sales service.

Beck, Thorsten and Ian Webb[6] **(2003)** emphasized on the importance of life insurance companies as part of the financial sector to the individuals and the economy as a whole. Life insurance provides individuals and the economy as a whole with a number of important financial services. In the face of increasing urbanization, mobility of the population and formulation of economic relationships 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 reinvestment of substantial saving, they have become effective as instrument for encouraging substantial amounts of savings in many countries around the world.

Mishra.K.C [7] (2003) presents the story of Indian Insurance industry in post liberalization era. It brings out the fact that Indian economy is 0.16 percent of US economy but insurance density of India is 0.004 percent of US. India has one of the top growth rates in either the life or general insurance industries in the world, but the regulation of the insurance market has not been able to keep pace with the rapid growth and new products in the current market driven economy. The study listed the merits and demerits of more foreign participation in Indian insurance markets as improvements in customer service and value, transfer of technological and managerial know-how additional external financial capital, creation of beneficial domestic spill overs, dominance of foreign insurers over domestic markets, service by market selectively, etc.

Spandana.K [8] (2003) in the research work on the commercial viability of doing insurance business in rural India clearly indicate that the rural sector is a vibrant market, and that it holds tremendous potential for the growth of insurance business in India. However, the penetration of insurance in rural India remains pitifully low. The paper explored the potential of life insurance in rural India with all its problems, complexities and variables and suggested the means and ways of meeting the challenge of developing the rural insurance business in tandem with its potential of economic growth.

Ramesh lal Dhanda [9] (2004) evaluated the divisional performance of LIC business in North zone on the basis of both primary and secondary data covering both service providers and service users. The results showed that policyholder’s opinion regarding reasonableness of premium indicates that 30 percent of the total respondents from different categories rated the premium amount as high, two third of total respondents faced no problem while depositing the amount of premium and about 90 percent respondents reported the dealing and behavior of LIC staff as satisfactory.

Rao.G.V [10] (2004) examined the benefits of liberalization in the non-life sector and analyzed the current situation to see where the market stands now, how has international reinsurance affected the domestic scene and to what extend has the setting up of IRDA shaped the market conduct and good governance of insurers and whether the consumers were really benefited by the government and competition in the market. The article studies how have the private players and the public players performed. The study concluded that liberalization has not yet served the objective for which it was initiated. Customers are unlikely to see any benefits of liberalization immediately, as the competition is directed towards chipping at the established markets already made rather than towards the creation of new markets by the efforts of insurers who can enhance risk awareness among the unorganized and underserved insurable public.

Sharma.V.K [11] (2004) examines that the Insurance Industry is a perennial source of long term funds and caters to the needs of capital markets where the corporates can meet their demanding standards of investment that are known as prudential norms. Cash flow management is essential for insurers. Insurers are always in a position to estimate their investible funds and prepare an investment budget keeping in view statutory requirements, opportunities available in various segments like capital markets, real estate and other long term and short term investments and these transactions will help to bring certainty and stability to uncertain transactions. He concluded saying insurance industry in India is at the threshold of a great financial revolution. Economy is reaching 7 to 8 percent growth in GDP. Globalization and Liberalization opened new threats and challenges. The Indian middle class and lower middle class want to seize these opportunities.

Dr.Ramesh lal, Dr. Neelam Dhanda [12] (2004), lists the challenges and threats ahead in the insurance sector like foreign firms would plough away the premium income from the country leading to net outflow rather than net inflow of resources, premium may come down on the level of competition and expansion of insurance sector depends upon mobilization of extra savings. LIC would be losting about 45 percent of its market share to the new players over the period of 10 years. A survey covering 51 agents, 21 development offices, 55 employees of corporation was conducted with the objective of determining how far these agencies help in executing the plans and policies of the corporation. The results provided valuable suggestions to improve the business performance of the corporation and the satisfaction level among policyholders.

Banerjee T.K [13] **(2004)** opined that the insurance industry would face greater competition from other financial service providers along all aspects of their value chain. Insurers with their significant and growing asset base shall have to develop asset management capabilities and expertise on par with professional fund managers, otherwise they will face pressure to farm out their funds for professional management. IRDA will monitor the progress of the industry and will continue to consult industry representatives in developing a conducive regulatory environment, and formulating incentives to enhance the operational capabilities of insurers. Such partnership and dialogue will be vital for the growth of the industry and for meeting the challenge of making India a regional insurance hub and an international financial center.

Vineet Aggarwal [14] **(2004)** studied the concept of Bancassurance, the experiences across the globe and in India, the benefits to banks, insurers and customers from partnership, modes of entry into bancassurance and the various delivery routes available. The study listed the key success factors for Bancassurance partnerships as the right product matrix: product, place, price, promotion, Additional 3 P's of Services- People, Process, Physical Evidence, technological infrastructure, integration into the organization culture and philosophy, commitment from the stakeholders, efficient monitoring and tracking of the entire process, clearly defined roles and responsibilities, accountability and ownership.

Suranjita Lahiri [15] **(2004)** made an empirical analysis on brand identity and its influence on customer decision making process. The study revealed that the insurance companies has four choices under branding strategies namely line extension, brand extension, multibranding and new branding. Branding of services is much more difficult than tangibles and when it comes to insurance it is a function of variety of factors known and unknown. The key factors accounting for the success of any insurance player are continuous product innovations, efficient pricing and effective claim management.

Subramanyan.N.V [16] (2004) attempted to delineate the complex phenomenon of lapsation of life insurance policies and suggested possible ways of controlling the menace. The study concluded that the aspect of lapsation of life insurance policies is a very complex one and its effect on the profitability as well as the very survival of a life insurance company can hardly be over emphasised. The adverse effect on account of lapsation and the subsequent decline in bonus rates has very serious consequences such as selection against the insurer by surrender of existing policies, etc. Taking these aspects into account, it becomes imperative for any life insurance company to take all possible steps to control lapsation right from the very beginning.

Vinay Verma [17] (2004) examines the challenges and prospects of insurance broking in India. Brokers, as intermediaries, have huge scope and prospects in the distribution and servicing of insurance products. With market-oriented thinking they can generate risk consciousness, expand shopper pattern and develop insurance market. Broking in insurance will increase range, mobility, integration and above all utmost good faith among parties in insurance contract. Insurance business for decades had been insulated from international competition. With dismantling of regulations not only new players will enter into the market but also there will be professionals to select most excellent among them in order to bring value for the money to the customer. Brokers will need their mind set and expertise to become accustomed to changing requirements and will have to get ready themselves to participate in a new ball game altogether where for almost all major business they will have to interact with likewise expert and conversant rank of mediators.

Forte [18] (2005) analysed the rural insurance market and has found that the more educated have higher earnings capabilities and were potential insurance customers. 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 policies was very low. Policies with a sum assured of less than Rs.50, 000 accounted for the most policies taken. A significant number also opted for a higher value policy of upto rupees one lakh. There was a great deal of similarity between the policy actually purchased by the respondents and the policy recommended by the agent at the time of purchase, suggesting that a great influence is exercised by the agents in the selection of insurance products. Policy-holders were generally satisfied with the overall insurance process, the premium payment process and their dealings with the agent.

Roger Massey [19] (2005) examines the reasons why insurers are exposed to risks. The study identified seven main reasons why companies of insurance industry fail. They are rapid expansion, delegated management authority, fraud, under-reserving, excessive reliance on reinsurance, expansion into new areas and gross incompetence, giving away the underwriting pen, lack of appropriate regulations, no control over exposures, unforeseen claims etc.

Peter De Groot [20] (2005) examines that insurers should be well aware of the significance of risk assessment and management. The survey results presented in the article provide insight into the risk and capital management practices of the insurers around the world and draws an analysis on the future risk management practices of insurance companies. The results of the survey reflect the views of analysts that the insurance industry lags behind the banking sector in managing investor capital efficiently. The survey was carried out between May and September 2004, through one-to-one interviews, with the exception of Germany, where a postal questionnaire was used. The survey findings suggest that business imperatives and senior management expectations are driving change in risk management and capital allocation. Respondents from Germany, Bermuda and particularly Netherland have tendency to use both economic and regulatory capital.

Anuja Keelshresthra.E [21] (2005) examines challenges, strategic changes and perception of agents and customers towards the liberalization of the insurance sector, focusing on LIC in India. The study concluded that the winds of liberalization have initiated vast changes in the insurance sector. To face the challenges and to enhance its competitiveness LIC has to develop strategies in every front of its operation of distribution channel, products, HRD, IT etc. It is passing through the phase of transition and metamorphis and this transformation of LIC would help it to emerge as a winner in competitive environment.

Nirjhar Majumdar [22] (2005) examines the role played by the insurance operators in making an impact in the uninsured or underinsured sectors comprising: 1. the rural sector. 2. The Socially and economically underprivileged sector. 3. The Individual Pension Sector. 4. High Net Worth Individuals (HNI). The study concluded that rural and social sectors are still grossly underinsured. Even in the competitive era, the premium penetration is only 2.26 percent. This is despite the fact that the savings rate of the country is now 28.1 percent and the people are surely more appreciative of the value of insurance as a tool of risk cover, tax planning and future provision. Although, insurers have launched plans for all types of insurance needs, still 97 percent of the policies sold are either endowment type or whole life or IPPs. The insurance operators need to do serious introspections and make marketing aggressive. It is desirable that the insurance cover should be extended to those who need it most. It is better to grow in the way society needs.

Reepali, Anuja and Kulshreeshtha [23] (2005) focus the SWOT analysis of LIC of India and suggest an action plan which on implementing would enhance the business competitiveness in the liberalized scenario. Self structured close ended questionnaire was used for data collection and was administered to the randomly selected 52 managers and departments from the north central zone of LIC of India. The study was concluded by developing action plan on leveraging strength, exploiting the opportunities, cutting the Gordian Knot, rectifying weakness so as to maintain the reigning kingship and to emerge a winner in the liberalized environment.

Prakash Vel.K and Ravichandran.K [24] (2005) conducted an exploratory study on the role played by product, service and behavioural factors in the purchase of life insurance policies and ended up with a model for the purchase of life insurance policies. The study helps to understand the various marketing and non marketing factors influencing the purchase of life insurance policies. The model propounded can be used by different life insurance companies to understand the parameters influencing the decision making process of their clients and accordingly formulate suitable marketing strategies in the promotion of their policies.

Sen, Subir [25] **(2006)** analyzed the Indian life insurance industry after the privatization of the insurance market. The entry of privately owned firms forming joint ventures with foreign heavy weights in life insurance provisioning were expected to raise both price competition and service competition. As debates increase regarding the dominance of LIC to continue to gain market share, concentration indices were constructed on the basis of theoretical underpinnings to see whether or not there is any change in the competitive structure of the life insurance market. The study concludes that there is hint of movements towards more competitive regime but there is a good level of competition among the private companies to capture the market share.

James C Hao, Lin –Yhi Chou [26] **(2006)** discusses the impact of merger and regulation regarding minimum capital requirement. The methodology used was Distribution Free Approach (DFA) and Stochastic Frontier Approach to investigate market share, optional scale, diversification of products, strategy, regular scale, merger policy implications for efficient firms operations in the life insurance industry. The study revealed the impact of a merger policy on stockholder's wealth is not significant, stockholders have a negative outlook on the increase of cost inefficiency. Stockholders donot benefit from strict capital; because this regulation will diminish their wealth and finally firm's scale of operation have a positive relation with market share.

Rajagopalan.R [27] **(2006)** made a comparative evaluation of the traditional insurance policies available in the Indian market from consumer perspective. The methodology adopted was expected present value approach, data on mortality rates, prevailing premiums on insurance policies and interest rates for the comparison within and across policy types. On analysis the conclusions arrived was whole life policies are charging heavy loadings. A participating whole life policy looks better only in comparison to buying a nonparticipating whole life policy and investing the extra premium in the PPF account.

Yu Zheng [28] **(2006)** evaluates the situation of the risk protection market, compares the demand for risk protection with the demand for investment, compares emerging markets with industrialized countries markets and measures the degree and qualities of citizens true risk protection. The methodology adopted was Co Integration analysis and Error Correction Model (ECM) to carry on positive analysis and calculates the risk protection gap, provides some suggestions regarding the target choices and development strategies in the emerging life insurance markets.

Vanniarajan, Anbazhagan and Samuel Joseph [29] **(2006)** focuses on the strategic needs in different Indian insurance market segments. The study was restricted to Madurai district with sample of about 200 respondents and used pre tested interview schedule. The study concluded that the differential strategies are inevitable in the insurance industry and can be achieved in terms of product, service, distribution networks and promotion. It will be helpful to place the right product through right channel with promotion to avail competitive edge.

Amit Kumar chakrabarty [30] **(2006)** measures the efficiency of LIC through agent's ability and business performance. Agent's ability include after sale service, illegal advantage, plan scheme introducing capacity etc. Business performance includes year wise growth of new business, investment and claim settlement operation. The opinion of the policyholders and development offices were taken to judge the agents ability. The study revealed a number of weaknesses of LIC particularly the management of agents and the management must take necessary steps to further improve the payment of death claims.

Sayid Ali, Riyaz Mohammed, Masharique Ahmad [31] **(2007)** examines the progress of insurance sector after liberalization till 2003. He is with the opinion that insurance sector is not satisfactory and the facilities were not able to provide to general masses and the required mobilization of resources from these sectors could be hampered. He further examined various issues and determinants involving insurance in India and world partially, its performance and its genesis with a view to measure its development. The emphasis was on economic liberalization and insurance sector reforms in India, its development, risk management, organizational structure, the changes in financial products, insurance products, distribution channels, TPA's, IRDA framework, etc.

Karthikeyan.M [32] (2007) examined that India had the nineteenth largest insurance market in the world in 2003. Insurance in India has gone through two radical transformations. Before 1956, industry was private with minimum government intervention. In 1956, life insurance was nationalized and monopoly was created. As a part of the general opening up of the economy after 1992, government appointed a committee and that recommended that private companies should be allowed to operate. And there came many reforms. New private insurers are bringing new products, using innovative distribution channels. Finally the rural sector has potential for both life and general insurance. To realize this potential designing suitable products is important. Insurers need to pay special attention to the characteristics of the rural labor force, like the prevalence of irregular income streams and preferences for simple products.

Dr.Banumathi and Karunanithi.G [33] (2007) studies the comparison of term insurance schemes offered by LIC of India, Tata-AIG, HDFC and Birla Sun Life. The study details merits and demerits of term insurance schemes offered by LIC of India and other insurance companies. LIC of India offer better schemes in terms of insurance schemes with low premium compared to other private companies. The premium rates charged according to the term insurance schemes at different ages for different terms and benefits was compared. The study concluded that the products offered by LIC of India was the best with lower premium rates.

Vanniarajan.T, JeyaKumaran.M [34] (2007) made an attempt to identify the discriminate service quality factors among the public and private life insurers. LIC and nine private players were selected and out of which 250 customers from LIC and 20 customers from each private players have been selected for the study. The study concludes that the important service quality factors in the life insurance market are distribution network, product, responsiveness, reliability, customer relationship management, empathy, brand building, promotion and tangibles. The identified discriminate service quality factors among the public and private players are distribution networks, product and reliability for the private sector.

Sastry.D.V.S [35] (2007) lists few issues which the consumers, policyholders, insurance companies and the regulator should address so as to improve efficiency. Now there has been a paradigm shift in the functioning of insurance companies. With the development of high-speed computers and the resulting ability to collect and store and process huge amounts of data, insurance industry is in a better place to exploit the advantage of intelligence systems. In a globalised economy the competition is not only in producing quality products with affordable price but also make a head start in developing techniques and their applications. To this end industry should conduct and encourage research besides improving their bottom line.

Debabrata Mitra, Amlan Ghosh [36] (2007) attempts to study the importance of life insurance consumption in rural India and the role of post offices. In the liberalized era where domestic and foreign private insurers are operating in India along with LIC, their reach to the rural masses which constitutes more than seventy percent of our total population was analysed. According to IRDA, LIC's rural coverage was 52 percent, but the new guidelines issued by IRDA to define the rural areas have reduced this share to mere 18 percent in year 2000-2001, resulting in low rural coverage and huge untapped rural population to be covered by the Indian insurers. The study concluded that significant opportunities are available in rural India using post offices as an agent and will give the desired field to keep the momentum for economic growth.

Vijayalakshmi.R and Keerthi.Pa [37] (2007) studied the service quality of LIC as expected and perceived by its policyholders based on SERQUAL technique. The study concluded that trust and confidence in the minds of the policy holders are the two strong factors in which still LIC still reins the insurance industry. In today's liberalized environment, insurance companies operate in a market place that is extremely competitive. If LIC focuses on the efficient and effective delivery of services to the policyholders it would enhance its corporate goal of increasing coverage more profit and increment in market value and share.

Srinivasa Rao. M.V.S [38] (2007) examines the consumers view points in accordance with the conditions prevailing in Indian life insurance market and the future of life assurance covers. The study concluded that consumer's community is not homogeneous. There are variations within the community as consumer's attitudes and preferences vary significantly. Life insurance in its different forms is an integral financial component for most of the consumers.

Harsh Arora [39] **(2007)** examines the ethical aspects which should be considered by the agents or advisor and companies at the time of selling their life insurance products. The ethical issues are categorized into three as system issues, cooperate issues and individual issues. The main objective of the study was to find out which part of ethical issues the insurance companies should consider most in training their insurance advisors to increase number of satisfied customers, retain maximum number of customer and their loyalty with the company. It was concluded that prospective buyer will give positive response to the advisors or the companies, hence companies should train to develop the advisors and managers to gain customers trust.

Dr.Vanniyarajan.T.A, Prabadevi.P, Shankari.L [40] **(2008)** analysed the service quality of life insurance companies in Salem using SERVQUAL model. The analysis revealed how the profile of the respondents and the various service quality factors are associated. The study identified various service quality factors as customer recognition, customer confidence on employees, agent customer relations, timely service, customer orientation, employees skill, approach and grievance redressal, customer comfort that were positively related with the profile of the respondents.

Syed Ibrahim.M [41] **(2008)** opined the insurance industry in India has witnessed a sea change ever since it was opened up to private players in 1999. The liberalization transformed the industry's outlook towards the huge Indian market. LIC is a major instrument for the mobilization of savings of people and these savings are channeled into investments for the economic development of the country. It may be seen that from about Rs.200 crore in new business in 1957 the Corporation crossed Rs. 1000 crore only in the year 1969-1970 and it took another 10 years for LIC to cross Rs. 2000 crore mark of new business. But with reorganization happening in the early eighties, by 1985-1986 LIC had crossed Rs.7000 crore sum assured on new policies. Today LIC functions with 2048 computerized branch offices, 100 Divisional offices and 7 Zonal offices. The working results of the LIC can be evaluated by various indicators such as Life Insurance Fund, Premium Income, Total Income, Expenses, Interest Rates, Claims-Settlements, Number of Offices, and Productivity of Agents and so on. This study analyses how the corporation helps in corporate sector in terms of financial assistance.

2.2 THEORETICAL REVIEWS:

Mishra.M.N [42] **(1985)** opined that there was enough market potentialities for the insurance people in India. But because of the prevailing competition many insurance policies in the past could not continue for the tenure because of lack of services to the policy holders. The study concluded that the opening of new branches, training of LIC agents at periodical intervals, arranging regular meetings of agents, new classification of agents as leaders, challengers, followers and nichers to put the morale of agents at higher level would overcome the shortcomings.

Banerjee A.K [43] **(1992)** opined that the Public Relations activities should not be confined to few persons 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. Smiling, courteous and efficient services with the policy – holders are necessary to meet the rising consumer aspirations along with the free flow of information from LIC's branches to divisional, zonal and central offices.

Bernstein I.Jeffrey [44] **(1999)** discussed the total factor productivity growth and performance in the Canadian life insurance industry. The proportion of GDP contributed by the manufacturing sector during the last three decades has been about 19.0 percent while the service sector has continued to grow reaching 67.0 percent by 1992.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. The GDP contribution of Life insurers from 1981 to 1992 increased from 0.30 to 0.42 percent.

Catalan, Impavido and Musalem [45] **(2000)** opined that life insurance products encourage long term saving and the reinvestment of substantial sums in public and private sector projects, by leveraging their role as financial intermediaries. Life insurers have become a key source of long term finance encouraging the development of capital markets. **Ward and Zurbruegg; Webb and Soo(2000)** found evidence that the development of the insurance sector is related to economic growth.

Thorsten Beck and Ian Webb [46] **(2000)** investigated which economic, demographic and institutional factors give raise to a vibrant life insurance market. Income per capita, inflation and banking sector development were the most robust predictors of life insurance consumption across countries and overtime. A vibrant life insurance market depends to a large extent on the institutional frame work and political stability of a country. Institutional development was an average of six indicators measuring voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption.

Gupta, Aarti and Chuganee, Bhakti [47] **(2001)** emphasized the steps to be taken by LIC to compete with the new players. As the insurance sector has opened up, the monopoly giant has been challenged and LIC has to face world class competition. Improvement is needed in the areas of products, services, information technology and active participation of its entire workforce. Through skill upgradation the excess manpower can be utilized in raising business volumes.

Harold D. Skipper [48] **(2002)** approaches liberalization issues from several perspectives relevant to the Indian insurance market and government in connection with its continued liberalization. First the role and importance of government policy in insurance, second 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 finally the principles around which governments should craft their regulation of insurance. A market regulated in accordance with these principles will be one in which consumers enjoy a wide range of fairly priced insurance from financially sound insurers.

Kumar,Neeraj [49] **(2002)** emphasized that the 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 which is done every year. Investment income, which depends on the return on fixed interest investments, is a significant contributor for surplus.Life insurer puts money in government bonds and government guaranteed bonds which carry almost no default risk and consequently have lower expected returns in comparison to riskier investments. This is done because security of the funds is among the life insurer's foremost concerns.

Rao G.V [50] **(2002)** is of the opinion that a regulator is not a role that can bring popularity but a job for a 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 restrictive 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 disputes resolution forums should engage the attention of the regulator to be appointed with full functional autonomy and operational flexibility.

In an article published in the national newspaper "The Hindu" in **2002, S.B.Mathur** [51] , Chairman of LIC emphasized on the stiff competition from new entrants in the life insurance sector. Twelve new players have entered Indian Life insurance sector and posed a challenge to the growth of the world's biggest insurance corporation LIC of India. They all had sound background and high brand equity. According to Mathur, the new players might not be very ethical in all respects but they pose a big challenge to LIC. Competitors would concentrate on that area which was not covered by LIC and development officers must work carefully to ensure that the people are not weaned way from LIC.

Jawaharlal.U and Abishek Agarwal [52] **(2003)** brings forth several positive changes that are imperative to take the competition head-on and create an atmosphere of world class standards being introduced in the country like the introduction of new channel of distribution, introduction of brokers and bancassurance. There may be tremendous potential not only to sell the insurance products but also to spread the message in the rural areas too. The new players have already earned 10 percent share in the overall new business performance. When the industry was opened up, it was considered that an overall share of 10 percent at the end of the first five years would be creditable achievement.

Lorilee schnider [53] **(2003)** provides a detailed outlook of the change in the demand and supply of insurance around the world taking various appropriate parameters into consideration like, demographics, economics, socio-cultural influences, financial convergence, taxation, legal system, catastrophes, changing patterns of supply, globalization and consolidation, financial integration, liberalization of trade, privatization and individual responsibility, regulation and taxation, etc. He concluded saying that the market place has grown as the world has shrink.

Kundu,Sumit [54] **(2003)** discussed the changes in various issues of insurance industry after the entry of new players. Despite its terming one billion population India still has a low insurance penetration of 1.95 percent, 51st in the world. Despite the fact that India boasts a savings rate of around 25 percent, less than 5 percent is spent on insurance. With the entry of competition, the rules of the game are set to change. The market is already beginning to witness a wide array of products from players whose number is set to grow. Today, people are increasingly looking not just at products but at integrated financial solutions that can offer stability of returns along with total protection.

Mathur S.B [55] **(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. LIC, since nationalization, has performed exceedingly well and contributed immensely to the process of economic development through its multi – dimensional activities. LIC today services over 12 crore policies which is a record for any life insurance company in the world. It settled over 86.55 lakh claims including survival benefits payments and maturity claims during the year. There is no other life insurance company in the world that settles such a large number of claims.

During 2000 the Indian insurance industry as a whole witnessed an inflation adjusted growth of 16.6 percent as against 6.6 percent of global growth rate. At present there are 58 products being sold by LIC. Yet, the pension market in India mostly remains untapped and this is probably the most potential segment of the life insurance market in India. There is also a need for promoting a different distribution channel for expanding the rural insurance market.

Kumar, Manoj [56] (2003) emphasized on the various issues relating to insurance business in India like liberalization, privatization, regulator's issues and future possibilities. A thriving insurance sector is of vital importance to every modern economy. It encourages the savings habit, provides safety to rural and urban enterprises and productive individuals. It generates long-term investible funds for infrastructure building. This characteristic of their business makes insurance companies the biggest investors in long gestation infrastructure development project in all developed and aspiring nations. This is the most compelling reason why private sector companies, which will spread the insurance habit in the consumer interest, are urgently required in this vital sector of the economy. As is witnessed in other countries where liberalization took place in recent years, nationalized players will continue to hold strong market share positions, but there will be enough business for new entrants to be profitable.

Ashish Sadh, Soniya Billore [57] (2003) opined that in the insurance sector, branding has typically involved the concepts of stability, trust and protection. With liberalization of the industry, players have to realize the need for branding in a competitive environment. Insurance companies need to strive to build a brand in order to attract both the end customer and intermediaries. The study tries to understand the features that come up in the insurance product advertisement in the Indian industry and how closely the advertisements are in line with what has been theoretically prescribed as ideal way of communication for the insurance products. The results of the analysis will be particularly useful for the players of the insurance industry, the media world and academicians.

Ayyar [58] (2004) examines the various issues of significance to LIC and to policy-holders on the entry of new players into the industry. New entrants in this area have technical collaboration with companies having headquarters in countries like the USA, UK, Australia etc. They will bring in new insurance products and administrative procedures. Thus, it is expected that the life insurance business in India will benefit and grow on sound lines. Competition will be in the form of new products from other insurers. If the LIC agents are not fully conversant with the new product of other competing insurers, they will loose out in the race and miss the bus. The way to ensure that such a situation would not develop is to train agents on what is happening around and help them to convert the emerging challenges to opportunities. Moreover LIC is gearing itself up to attain newer heights through involvement in all its vast workforce. LIC is marketing its products more aggressively and identifying new markets which it plans to tap with specially trained agents. New distribution channels for insurance products are being tried. Banks have been roped in and are authorised to sell insurance.

Dr. Tamela D Ferguson and Dr. William L. Ferguson [59] (2004) examines that liberalization of insurance industry regulatory requirements is increasingly viewed as beneficial in the chase for foreign direct investment capital, among developing countries. This is important as the business of insurance is viewed as providing a substantial source of new capital pools, which offer significantly stable forms of capitalization cash flows. Insurance market liberalization often brings many macro and micro level economic benefits as well as potential challenges. As insurance market develop economist views improvements in capital market structures and functions. This will strengthen the overall capital efficiency.

Ahuja,Rajeev [60] (2004), is of the opinion that the insurance regulator in India, the IRDA is entrusted not only with regulating the Indian insurance market but also developing it. Thereby IRDA imposed social obligation in the form of covering certain minimum number of individuals in certain well identified sections of the society by both life and non-life insurers in each year of their operations. 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.

IAIS, Guidance paper on Investment Risk Management [61] **(2004)** examines how the various investment related risks are identified, measured and managed. The paper provides guidance on effective investment risk management for insurers and reinsurers and highlights issues applicable to the management of marketing risk, credit risk and liquidity risk. Thereby it provides guidance for the supervisor when evaluating investment risk plus policies and practices including the main set of data and documents which the supervisor should consider when assessing and monitoring the investment risk management of insurers. This covers areas like: conditions for effective insurance supervision, supervisory objectives, Corporate Governance, internal Control, Market analysis, Risk assessment and management, Investments, Derivatives and Commitments.

Watson Graham [62] **(2004)** examined 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. Life reinsurers are playing an important role in the growth and dynamism of the Indian market. 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 reinsured, whereas reinsurance is relatively under utilized by life insurers in Asian markets. In India the life insurance market has grown at over 20 percent annually in real terms in the last five years and the business of new entrants has grown at well over 50 percent in the last two years. Not withstanding the rapid growth in life insurance premiums in the past few years, life reinsurance premium has been relatively small. Retention levels are high compared to the average size of policies and quota share treaties are rare.

Ron Clark [63] **(2004)** examines the challenges faced by the life insurance and financial services industry. These challenges were referred to as “ice bergs” that includes regulation, rating agencies, industry consolidation, product complexity and public perception. But the end game is to make sure that all the aspects of life insurance, annuities etc come together in a way that people can understand and rationalize and concludes with a note that the industry has a bright future.

Srinivasa [64] (2004) attempts to highlight the use of information technology, its utilities, tools, systems and techniques that help improve the spread of the concept of insurance to the general public. For a country with over 100 crore population, manual processes cannot meet the requirements. If digital processes, with user-friendly features, are put in place, India could become the I.T. leader in the world and render services for the rest of the world. The immense untapped potential for the life insurance market demands innovative thinking and execution of the plan in a creative manner. Gone are the days of customer loyalty. These are the days of customer hopping from shop to shop, swapping the channels and surfing the internet. Price is no bar, provided the quality of service is good. Expectations of customers rise exponentially with the refinements to the IT. based devices /utilities. Life insurance is a capital intensive industry, where the breakeven period has been estimated to be around 7 years. Cooperation and coordination amongst the member companies would help improve the image of the industry in the economy.

Ravishankar.D [65] (2004) 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 continue to exist, such as for international investment and properties. There is need to focus on regulatory norms for investment in line with the business needs. The regulatory guidelines need to be fine-tuned to this reality rather than having artificial limits on different asset classes. Hence insurance companies must be allowed the flexibility to allocate funds across the asset classes based on the business needs. The role of the regulator has to be to only caution the insurance companies by prescribing capital adequacy norms and refrain from specifying the limits for several asset classes. Besides, there is a need to introduce a number of quality initiatives in the investment processes of insurance companies.

Bodla and Karam Palsingh [66] **(2004)** introspects the existing distribution network and offer a number of innovative channels that may empower the new insurance players to tap the potential insurance market. The most prominent channels were bancassurance, professional brokership, mass marketing through NGOs, cooperative societies, panchayats, other social and community welfare associations, direct marketing including telemarketing and cyber marketing. To be successful, an insurance company must have quality populace, innovative executives' and technology friendly policies. Through partnership the Indian and foreign insurers would gain a source of potency in terms of providing latest technology usage, ready customer base and trusted corporate name.

Agarwal, Preeti [67] **(2005)** discussed 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 of developed nations. Therefore for the development of the economy, insurance penetration in India should grew, but that growth will be possible only when suitable products become available. The poor and needy find insurance a risky proposition with their uncertain and irregular incomes and with their limited ability to read about its benefits. The male literacy rate in India in the year 2000 was 68.4 percent and female literacy rate in India in the year was only 45.4 percent. Thus access is not sufficient in rural areas in India. Health insurance, whether social or private whether formal or informal, is extremely limited in India. Although a number of private insurance companies have entered the field, no significant change in health insurance has been observed either in the availability of new health insurance products or in the volume of business.

B.Karuna [68] **(2005)** presents the outlook for the insurance industry in the backdrop of evolving issues like, uncertain outlook for capital, new analytics transform underwriting, issues between manufacturing and distribution, uneven progress for bancassurance, renewed interest, new regulations etc. It studies the major challenges in terms of educating investors, analysts, other stakeholders so that they can distinguish between accounting and economic changes. The study concluded that companies that carefully explain how risk is monitored may be rewarded by both capital markets and policyholders for improved transparency and risk management.

Ajay Seeneja and Kirti Sharma [69] (2005) examined after privatization of life insurance sector there is tremendous improvement in agency network. But there is still a need to make insurance marketing more professional in terms of knowledge, products and remuneration. Presently the Indian insurance is one of the least insured markets in the world. India has a population of 1044.15 million of which only 77.7 million have life insurance policy. Again the share of India in world market in terms of gross insurance premium is only 0.3 percent and this is mainly because of low insurance awareness, term insurance covers are expensive, returns from insurance products are very low and a strategic dearth of innovation and buyer friendly insurance products.

Satwalekar [70] (2005) opined that in the increasingly complex world that life insurance companies operate in, the keys to success would depend on a) the ability to understand the customer needs and service them efficiently and effectively at the lowest cost, b) the development of systems to manage the multi-level risks faced by them, and c) practise the highest levels of transparency and corporate governance to increase customer confidence.

Priti Saha [71] (2005) studied the relevance of professional qualification in insurance sector and found out that the growth and profitability of an insurer is not only based on simple sales but to a great extent depends on a sizeable percentage of new business retention. Customer retention is result of optimized customer satisfaction, which is based on i) innovative need based products ii) competitive price iii) quality of underwriting of risk and iv) quality after sales service. Competition, new technologies, unbounded globalisation and rise in customer’s expectations have created a compulsion for every insurer to prove itself in creating innovative products, providing effective services and satisfying existing customers in order to survive.

Vivek Gupta [72] **(2006)** examines the recent trends in the global insurance industry and the major influential factors like the emergence of new distribution channels to market insurance products, consolidation and globalization, rapidly developing technology, changing industry and laws and regulations. It quoted during 1992-2001, total global insurance premiums increased 64.3 percent and the life insurance business grew by 87.3 percent. The total premium paid worldwide was $2,408.25. There is a strong need for disclosure and regulation of the financial activities of insurance and reinsurance companies.

Padmavathi V [73] **(2006)** evaluates the intricacies involved in selling and buying unit linked insurance policies form risk management perspectives, and makes relevant suggestions to sellers, buyers, financial planners and the regulatory authority. Thereby it states that the insurance companies should think of declining equity markets, should accept the risk and provide protection from risk unlike transfer it to policyholders, should educate the agent and public regarding features of the product. The regulator should curb the practice of insurance companies deploying all their funds of ULIPs in capital market, should make it mandatory for life insurance companies to offer cover worth four to five times the annual premium for unit linked policies.

P.S.Palande, R.S.Shah and M.L. Lemawat [74] **(2007)** examines the growth and development of Indian Insurance Industry, ways of preparing for competitive environment, their proactive and focused strategies, new range of products and services, evolving markets and strategies, regulations and emerging scenario. Questions like would privatizations mean only selling of public sector units to private parties or would it be possible to allow public sector companies to continue and encourage the entrance of the private sector was debated. It was concluded that the coexistence of the private and public units would benefit the economy.

Sankara Raman Narayanan [75] **(2007)** examines the performance of unit linked insurance products, compares it with conventional products, along with its stock market performance. The presentation goes into the pros and cons of their product, unlike conventional life insurance products, unit’s products have high liquidity and volatility elements. These elements of the products have an effect on the life coverage, the insurance companies and the life industry as a whole. The liquidity element in unit linked products pushes the life industry into a period of short term and insufficient life cover arena. These products are linked to stock market and the speculative nature will affect the returns on investments.

Bharathiraja.V, Sasisiddharth.M and Muruganathan.R [76] (2007) explored the present state of FDI in insurance and gives a detailed study for the recent issue of hiking FDI to 49 percent. It finally concluded saying that the governments of developed countries are continuously pushing developing countries to increase their FDI. Though this might prove to be good on one side it only gives a hold to the foreign nations to strengthen their stand. It has been statistically proven that countries which enthusiastically opened up their financial sectors at high ratios to attract capital inflows have experienced increased volatility in their markets. Thus if FDI, has to be increased in India, there the private players should make sure that they are majority holders and that our home country has the major control.

Kannan.R [77] (2007) pointed that globalization and regulation are the major driving factors influencing the financial sector all around the world. Along with the multi pronged objectives, regulators have an additional responsibility to ensure that excessive regulation and steps to enhance transparency in the operations do not hamper market innovation. In turn it should lead the investors and the policy holders to take timely and adequate decisions. In the insurance sector the key benchmark continues to be solvency. In order to protect the policyholders and to ensure the stability of the financial markets, it is required that insurance companies should hold a certain amount of additional assets over and above estimated liabilities as a buffer.

Dr. Aravind, Chandrasekhar.S Kancheti [78] (2007) focuses on the relevance of the insurance sector for the overall stability of the financial system. Thereby it studies some major challenges ahead for the insurance sector like, insurers risk management capabilities keeping pace with risk profile, insurance commissions solvency II project, introduction of the (IAS) international accounting standards, ensuring the efficient functioning of the new institutional infrastructure recently setup for the financial sectors.

Dr.B.Manoharan [79] (2007) examines that today LIC is widely accepted as one of the most attractive financial instruments in an individuals portfolio that provides an assurance of security with attractive returns. Now LIC functions with 2048 fully computerized branches, 101 divisional offices, 7 zonal offices and the corporate office. It has crossed the milestone of issuing 1,01,32,955 new policies by 15th october 2005. LIC invests policy holder's money to various socially oriented sectors and concludes that LIC is the best organization to protect the customer's money and life.

K.C.Mishra [80] (2007) attempts to identify the reasons for low penetration in insurance in the country. It argues how technological developments help the spreading and marketing of life changes and how demographic changes and technological developments impact the spread of insurance in India. The study concluded that life insurers have to continuously change their product and overwriting portfolios. There will be cardinal changes in health management products, pension products and wealth management products, pure risk management products that manage the vertical and horizontal slices of a primary insurer's risk.

V.Padmavathi [81] (2007) focuses on the theoretical base for the cost of lapsation of life insurance policies, by studying what is a lapsation rate, its methods of measurement and ratios to analyze the measurement. The study shows the lost income, lost opportunity and reduced distributable surplus of LIC by taking information from their annual reports. It concluded with the latest trends in lapsation such as "Lapse supported policies' and "Viatical settlements" in the Indian scenario.

M. Dhanabhakyam and K. R. Vijaysanthi [82] (2007) studied that in the new economic reality of globalization, insurance companies face a dynamic global business environment. Radical changes are taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with new risk situations, and unconventional and innovative ideas on customer service. Low growth rates in developed markets, changing customer needs, and the uncertain economic conditions in the developing world are exerting pressure on insurers' resources while testing their ability to survive. The existing insurers are facing difficulties from non-traditional competitors that are entering the retail market with new approaches and through new channels. The basic premise of globalization is opening up of new service markets to provide the developing countries with new opportunities for the expansion of trade and economic growth.

Dr. N.N.Sengupta [83] (2007) examines the reasons for raising FDI and lists that this would open up fresh investment prospects in India, expanding economy and infrastructure, would expand the capacity of Indian insurance industry and employment. Global insurers have brought a substantial number of new and innovative insurance products and services, shared global best practices, management skills and product development know-how with local partners. As a result, insurance business gaining entry to Indian market, policyholders from many walks of life are benefiting from urban dwellers seeking financial planning assistance to farmers benefiting by way of micro insurance. It concluded that there are substantive benefits in raising the FDI caps on insurance from 26 percent to 49 percent and thereby strengthening Indian citizen's ability to manage risk.

Dr. Amartya Sen, Nobel Laureate [84] (2009) pointed out that undermining of regulation on one hand and development of new financial techniques like derivatives on the other, led to lack of accountability in the financial world.

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