Introduction

Life Insurance Companies In India History &Future

History Of Life Insurance Companies Till Life Insurance Corporation Established

In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasastra) and Kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers’ contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular.

1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies.

In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers.
The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business.

**Life Insurance Corporation Of India Birth**

An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.

The **history of general insurance dates** back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation.

In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then.

**IRDA And Opening Of Life Insurance Business In India**

This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of **re-opening of the sector** had begun in the early 1990s and the last decade and more has seen it been opened up substantially. In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners.

Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory
body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market.

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders’ interests.

Today 23 life insurance companies operating in the country, including LIC a Public sector Company and 22 other Private Sector Life Insurance Companies competing with LIC for Life Insurance Business from the Customers in India.

The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country’s Gross Domestic Product(GDP). A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

**Role of IRDA**

IRDA’s primary function is to protect consumer interests. This means ensuring proper disclosure, keeping prices affordable but also insisting on mandatory products, and most importantly making sure that the consumers get paid by insurers. Further, ensuring the solvency of insurers. Growth of insurance business entails better education and production to customers, creating better incentives for agents and intermediaries. It has evolved guidelines on the entry and functions of such intermediaries. Licensing of such agents and brokers are required to check their indulgence in activities such as twisting, fraudulent practices, rebating and misappropriation of funds.

**Market Structure:**

The market structure for insurance markets shall be tested as to see whether it be monopoly (state or regulated) or should there be unlimited private entry or should there only be a few regulated players. Keeping in view the recommendations of insurance reforms committee that a limited number of high capital private companies be licensed, and no firm be allowed to operate both in
life and non-life insurance,

**Role of Information Technology:**

The Business of selling life insurance requires assessing the profile of the customer and assigning the right policy. This process is facilitated by a database and is completely driven by information technology. If it uses this network of database to offer their products, it would have utilized this vastly underutilized capacity.

**Creating Insurance awareness:**

It is the need of hour to create insurance awareness among the general public. It will require a whole lot of efforts on the supply and distribution side.

**Innovative Products**

Insurance companies should offer innovative products to tap huge amount of resources for the developmental activities. In developed economies, insurance products are sold. Focus of insurance industries is changing towards providing a mix of both protection/risk cover and long term investment opportunities.

**Insurance Sector in India- Future Scenario:**

In India, only 10% of the market share has been tapped by LIC and GIC and the balance 90% of the market still remains untapped. This vast potential can be tapped only by a large number of insurance. To serve the population of more than 100crore Indians, Indian Insurance market offers tremendous opportunities to private insurers. With the increase in the life expectancy of individuals and disintegration of joint-family system, each individual now has arranged cover for himself and for his family. Therefore, coverage of insurers has to grow very fast.

**Grievances Of Customers**

The Insurance Industry occupies a very important place amongst financial services all over the world. Reforms in the Insurance Sector were initiated with the passage of the IRDA Bill in December 1999. The IRDA has a task of framing regulations amongst others grievances handling mechanism of customers of Life Insurance Companies. At Present along with Life Insurance Corporation of India, being a public sector Life Insurance Company, there are twenty two other private limited Life Insurance Companies operating in the Insurance Sector. Customer satisfaction is a measure of how products and services meet or surpass customer expectation. The
dissatisfaction amongst the customers in the areas of services of the Insurance companies leads to grievances of customers.

**Utility of the Study of Research**

In the world of Globalization economic model adopted by our India, the Insurance Sector is opening up not only to the Private Insurance providers along with the Public Sector Undertaking like Life Insurance Corporation Of India (LIC), also there is increasing participation by foreign investors which shall led to setting up of Insurance Companies by Foreign Institutions having higher capital base and expertise.

In view of the above, the Insurance Companies in India will have to administer the system of operations in such a way that the consumer satisfaction shall be kept at utmost importance leading to not only the retaining the customer base but expanding the larger customers which shall lead to keep themselves positioned to the foreign insurance providers competition.

Our Research Study shall also keep the consumers aware about the various needs vis-à-vis various Insurance products and services, the awareness about the consumers rights as assured by the Regulatory Body of Insurance (I.R.D.A) set up under the Insurance Act.

This proposed Research study shall ultimately lead to high level of consumer satisfaction and better services by the Insurance providers.

**Limitations of the Study**

The scope of the proposed Research study is limited to the Mumbai region only and the sample size out of the total population limited to 2300 only, hence the results of the studies may differ from other regions in Maharashtra as well as in other parts of India.

The results of the proposed study are based on the information given by the support administrative staff of the Insurance Providers and the Life Insurance Policyholders, being Individuals, Such information is based on an element of bias while providing such information which is the basis of our study, However on and average, the results of the study shall be representative of the mass population.
Scope

According to Census of India 2001 out of the total population of Maharashtra State is 5.03 crs of which 52.00 % Male and the rest is Female. Our scope of Study of Research shall be limited to Mumbai Region only.

In Mumbai, out of the total sample size which shall be selected purely on random basis consisting of 2300 individuals who had subscribed to the life Insurance Policies equal proportion shall be taken consisting of both Male and Female since in the total population also approximately the equality of Gender is existing.

In the city of Mumbai, all the regions of Mumbai shall be given equal weightage while selecting the sample size.
Literature Review

A.A. Maiyanki, S.S. Mokhtar (2011) In this ICT age, we have witnessed a substantial growth of internet based services. One of the key challenges of the online as a service delivery channel is how they manage service quality, which holds a significant importance to customer satisfaction. The purpose of this study was to gain a better understanding of the service quality dimensions that affect customer satisfaction in online marketing from a customer perspective. The data were collected through a questionnaire with 127 online shoppers. Exploratory factor analysis was conducted to narrate the important service quality factors in online marketing. This study identifies seven service quality dimensions having a strong impact on customer satisfaction.

A. E. Roger, M. F. Ndjodo, A. C. Lopez, A. A. Ghislain (2010) The authors are of the opinion that the criteria should then be use to reengineer the business processes and work flows accordingly for the satisfaction of each of the customers.

A. Ismail, N. Ali, M. M. Abdullah, B. Parasuraman (2009) The authors highlighted that service quality is a critical determinant of organizational competitiveness. The ability of an organization implements service quality program will positively motivate customers’ perceive value; this may lead to increased their satisfaction.

A. K. Ahmad (2011) The authors had explored the adoption of e-banking functionality and investigates the impact of e-banking on the outcomes of customer satisfaction namely, loyalty and positive WOM within the Jordanian Commercial Banks. Design/ methodology/ approach.

A. Lucadamo (2010) The author examined the factors of evaluation of attitudes, capabilities and individual satisfaction is one of the most important problem of experimental sciences. These qualities in fact, are not directly observable, but they are expressed with polycotomous measure scales. The authors concluded that to perform the evaluation it’s necessary to substitute the qualitative modalities with some scores. These measures can be determined in different ways, but problems of quantification or relative to the conditions in which the survey is conducted can arise.
A. P. Korda, B. Song (2011) The authors investigated the concept of service quality in the marketing literature. Several measurement scales have been proposed, but some of these take into account only the method of measurement and ignore the idea that the same instrument may not be able to be automatically applied in different industries or in different cultures.

A. S. Aburoub, A. M. Hersh, K. Aladwan (2011) The authors aim to investigate the relationship between internal marketing and service quality to customers' satisfaction in Jordan commercial banks, through answering the following questions: Do commercial banks in Jordan apply the appropriate concept of internal marketing? What are the possible procedures that can be applied in the banking sector? Is there any relationship between bank services quality and customer satisfaction? In order to achieve the study's objectives, two questionnaires were designed and distributed over two samples of Jordan bank employees and customers totaling (231) and (384) respectively. The questionnaires were collected and analyzed by using the SPSS. The study's conclusions are as follows: -Study's sample attitudes were positive towards internal marketing (service culture, human resources development, motives system and rewards) totaling (0.5693) more than virtual mean -Study's sample evaluations were positive towards internal marketing procedures from employees perspectives since its mean is more than the virtual mean (3), totaling (0.6935). Study's sample attitudes were positive towards banking service quality represented by (tangibility, reliability, responsiveness, assurance, empathy), since evaluations before benefiting from the banking service were (3.566) i.e. (0.566) more than the virtual mean, while after benefiting, the evaluations were (0.778) more that the virtual mean.


B. Culiberg (2010) This paper explores service quality in a retail bank setting in Slovenia and its influence on customer satisfaction. In previous studies both SERVQUAL and SERVPERF scales have been used for measuring service quality. Based on SERVPERF a 28-item scale has been developed for this study. Through factor analysis four dimensions of service quality have been obtained. The results from regression analysis suggest that all four dimensions of service quality as well as service range influence customer satisfaction. The information provided by this research can be used when designing marketing strategies to improve customer satisfaction in retail banking.
B. Das, S. Mohanty, N. C. Shil (2008) This paper makes an earnest attempt to study the behavior of the investors in the selection of these two investment vehicles in an Indian perspective by making a comparative study.

C. Christou, E. Christou, P. Kassianidis, M. Sigala (2009) The authors examined that the marketers have been working tirelessly to determine the factors that lead to customer satisfaction presuming that customer satisfaction automatically leads to repeated customers. Service quality, customer satisfaction, customer loyalty and repeat business are issues well recognized and investigated by researchers.

C.B. Wong (2009) The objective of this research was to develop a model that examines the direct effects of customer satisfaction and switching costs on customer retention as well as the moderating effect of switching costs on the relationship between customer satisfaction and customer retention in the segments of basic and advanced Internet banking users.

D. Dordevic, D. Cockalo, Z. Sajfert, M. Nikolić (2009) The paper presents research results obtained during the process of modelling a system (processes) for providing satisfaction of a company’s customer needs. The cybernetic model assumes a process approach and appropriate marketing research at the beginning and corresponding evaluation at the end; it is also harmonised with the conditions in which Serbian companies (production and services) work and it is created to enable easier managing of these processes with the aim of achieving business excellence.

F. Monge, P. Brandimarte (2011) In this case study the authors described an ongoing effort by Piedmont Region to foster MICE tourism in Turin and surrounding areas. This seems one of the promising ways to overcome the traditional image of an industrial city dominated by car industry.

G. Dominici, (2010) The authors focused that in order to be successful in the market it is not sufficient to attract new customers managers must concentrate on retaining existing customers implementing effective policies of customer satisfaction and loyalty.

G. K. Agyapong (2011) The author objectively examined the relationship between service quality and customer satisfaction in the utility industry (telecom) in Ghana The resultsshowed that all the service quality items were good predictors of customer satisfaction.
H. Khurana, J.S. Sohal (2011) The author highlighted the model that of one of the production unit located at Ludhiana. The model concentrates how the team members should function in order to improve organization performance in a continuously changing situation.

H. Nagprasad, (2009) The authors elucidated that in the past manufacturers could sell all they made. Service organizations didn't worry about the service they provided. It does this by motivating the workforce and improving the way the company operates. The customer is more sophisticated and knowledgeable.

H. S. Abdullah, M. Kalianan (2010) The authors presented relationship of Producer-Customer Paradigm within which much of the service improvement efforts have been undertaken is highly circumscribed and problematic paradigm for local government services.

H. Tulai (2009) Besides the established functions of the insurance, those regarding the prevention and the compensation of the damages and the payment of the insured sums, in the last decades the financial side of insurances has got a big importance. On one side the specialized companies are more and more involved in the financial market, looking the best investments; on the other side, they offer the clients a very wide range of life insurances with capitalized component. In this material there are described the main products of this type and there are presented some criteria of analysis and selection of contracts depending on their adaptation to the needs and the personal situation of each insured.

I. Bostan (2011) The author authenticated the present scenario a vision in the sphere of the problematic of assets and liabilities’ evaluation that are reflected in the balance sheet of the insurance companies, inside the theory of the contingent claims, and of the marginal theory inside the insurance sphere.

J. Munusamy, S. Chelliah (2011) This paper investigated the level of customer satisfaction among the passengers who fly with Air Asia, a budget airline in Malaysia. The factors which investigated are the on-line services, third-party services, fare charging practices, advertisement and customer services. The independent variable which measured is customer satisfaction.

J. N. Mojekwu (2011) The author examined the various intricacies of Life Insurance contract He opines that the Life Insurance Contract is that under which one party pays a certain sum of money
referred to as premium to another party in return on the happening of specified contingency (ices). These contingencies include: deaths, maturity, surrender lapsed and paid-up. Based on the findings, the study recommends that life insurance companies should enlighten the public more on the benefits of life assurance and evolve some incentives so as to avoid the negative impact of these modes of decrement on life assurance portfolios

**K. O. Siddiqi (2011)** The main objective of this study is to find the interrelationships between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in Bangladesh.

**K. Ravichandran, B. T. Mani, S. A. Kumar, S. Prabhakaran (2010)** The authors examined that the financial liberalization has led to intense competitive pressures and private banks dealing in retail banking are consequently directing their strategies towards increasing service quality level which fosters customer satisfaction and loyalty through improved service quality.

**L. L. Kheng, O. Mahamad, T. Ramayah, R. Mosahab (2010)** The findings show that improvement in service quality can enhance customer loyalty. The service quality dimensions that play a significant role in this equation are reliability, empathy, and assurance. The findings indicate that the overall respondents evaluate the bank positively, but still there are rooms for improvements.

**L. V. Rao (2008)** The author dwelt with the life insurance industry in Global perspective and of the opinion that the industry is facing major changes and the leading insurers are innovating their services in order to compete. Services are the engines of expansion in the modern economies and service innovation is of vital importance to these service organizations. In this exploratory study, an attempt is made by the author to understand how service firms actually innovate. Zonal managers of select ten private life insurance companies in India are interviewed.

**M. A. Okunnu (2007)** The paper examines the level of awareness of the importance Life Insurance policy among the Nigerian students using students of Lagos State University, Ojo-Lagos, in the South-West part Nigeria as our case study.

**M. H Siddiqui, T. G. Sharma (2010)** The authors investigated that Liberalization of the financial services sector has led to insurance companies functioning increasingly under competitive pressures; so companies are consequently directing their strategies towards increasing customer
satisfaction and loyalty through improved service quality.

**M. I. Ishaq (2011)** The author investigated the purpose of the study to determine the impact of service quality on the overall customer satisfaction in telecommunication industry of Pakistan. Survey questionnaires are used by the authors to collect the data from the postpaid users of different telecommunication service providers. The results show that service quality has positive association with the overall customer satisfaction. The findings of this research provide insights for the managers to develop and maintain the customer’s desired service quality. Implications for marketing strategists and researchers are presented.

**M. M. Butt, E. C. Run (2009)** The authors examined that low tariffs, wider coverage and decent quality keep Pakistani cellular phone market growth at an alarming pace. Despite highest growth rate in the region, the lucrative Pakistani market is not free from challenges. The common answer to such challenges is retaining customers through satisfaction.

**M. S. Malik, (2011)** They conducted the Study with reference to the Pakistan’s insurance companies, they are of the view that the Life Insurance Industry there is not lacking behind and using latest IT systems for performance improvements.

**R. A. Boohene, G. K. Agyapong, K. A. Boohene (2011)** Outdoor Advertising companies, in searching for new approaches to satisfy customers, are increasingly using service as a differentiator and as a means of integrating themselves into the customers’ supply chain systems. This study explored the concept of employing service quality in an outdoor industry to create customer longevity using the SERVQUAL model. Simple random sampling was used to select forty customers of Alliance Media Ghana Limited (AMG). A multiple regression analysis was employed to find out which of the service quality Variables had significant impact on customer satisfaction. The results revealed that service quality indicators such as responsiveness and empathy significantly impact on customer satisfaction. Based on these findings, it is recommended that management should develop strategies to enhance its service quality delivery.

**R. M. Potluri, V.S. Mangnale (2011)** The principal objective of this research of the author is to explore Ethiopian service sector customer satisfaction levels. This study used both quantitative as well qualitative survey research designs. The study measured customer satisfaction levels with recalled service encounters and the method of data collection was convenience type.
R. Mosahab, O. Mahamad, T. Ramayah, (2010) In this research, the service quality standard model has been used for evaluation of service quality. The results of this research show that in all aspects, customers’ expectation, are higher than their perceptions of the Bank’s operation, and in fact the quality of offered services is low.


S. Liu, Z. Fang (2009) The authors examined the relationship between customer satisfaction and logistic costs and concluded that they were mainly analyzed in the article, and the grey correlation analysis method was used to study the relationship between customer satisfaction and various activity centers.

T. Gonsalves, K. Itoh (2011) The author examined the factors of optimization of customer satisfaction in service systems using the Artificial Immune System (AIS). The objective function defined as the average residence time of the customers in the system provides a direct measure of customer satisfaction.

The authors elucidated the relationships between hotel service quality failure, customer perceived value, revitalization of service quality, customer satisfaction and loyalty in the hotel industry.

V. Sima, I. G. Gheorghe (2010) The authors evaluated the implementation of the sustainable development concept, for every organization. This requests the reconsideration of the environmental protection and quality assurance policies role, inside of the organizations.

Z. Yaacob (2010) The author elucidated that the customer satisfaction effect of continuous improvement at different intensity levels. The findings indicated that there exists a significant difference in customer satisfaction between highly extensive and less extensive implementers.
Objective

1. The purpose of study is to analyze the gap between the needs of the customers in relation to the servicing of their life insurance policies and the life insurance providers in meeting such needs in terms of the satisfaction to the customers.

2. To study the difference between Public Sector Insurance Company and Private Sector Insurance Company with regard to customer satisfaction.

3. To study the relationship between Settlement of claims and type of Insurance Company.

4. To Study the relationship between Insurance Consultants and Office Support Staff with regard to services offered.

5. To study relationship between Level of Customer satisfaction and infrastructure of various Life Insurance Companies.
Hypothesis

1. There is no significant difference between Public Sector Insurance Company and Private Sector Insurance Company with regard to customer satisfaction.
2. Settlement of claims and type of Insurance Company are independent.
3. The Policyholders are satisfied with Insurance Consultants and Office Support Staff with regard to services offered.
4. Level of satisfaction and infrastructure are independent of each other.

The above hypothesis shall be supplemented with additional sub hypothesis.
**Research Methodology**

**Region Of Research**

The geographical location for the study is Mumbai Region, in State Maharashtra.

Since Mumbai being the Financial Capital of India, the per capita income being higher as compared to other cities which justifies higher number of people who afford to take insurance as an investment tool. We selected Mumbai being a representative of India for the purposes of drawing conclusions about our research which shall be nearer to the accretions.

**Research Design**

The research conducted shall be of Descriptive and Analytical in nature.

The research design and the steps adopted in research methodology kept in focus the objectives set for the study and the general hypothesis of the study. The numbers of Null hypothesis were formed for the study shall be also subjected to statistical method of testing.

The objectives, general hypothesis, different null hypothesis become the center of research methodology to fulfill the purpose of the research.

The different customers, Agents of various Life Insurance Companies covered in the study shall be around 2300 in numbers.

**Population and Sampling**

The population of study consisted of Customers of Life Insurance Companies in the city Mumbai, state Maharashtra. Sampling shall be incorporated by involving Customers and different Agents of Life Insurance Companies. An attempt shall be made to have a larger sample size but response of the Customers may not much encouraging and are in large numbers in population under study. The sampling method incorporated is Convenient Sampling Method.

**Collection of Data**
The collection of data consists of both primary data and secondary data.

The Primary data shall be collected by floating a structured questionnaire. Before finalizing the structured questionnaire, the questionnaire was subjected to pilot testing. By removing the difficulties the final structured questionnaire.

The discussions, opinions and interaction with the degree college teachers’ could provide better understanding in their feelings towards level satisfaction they have.

The secondary data was collected from the following sources.

a. The Annual Reports of different Life Insurance Companies.
b. Books and Journals relevant to the study conducted.
c. Published and unpublished research report.
d. Unpublished data that came to the knowledge from the records of the Life Insurance Companies.
e. Various Websites of Life Insurance Companies.

The structured questionnaire consisted of Fifty Two questions having sub questions.
The questions provided multiple choices, out of which the respondent have to select the appropriate choice.

The structured questionnaire shall be distributed to the various customers and agents. The responded questionnaire was subjected to editing so as to eliminate incomplete questionnaire and non-properly filled questionnaires. The study shall admit around 2300 questionnaires for future analysis and interpretation.
**Processing of Data**

The edited questionnaires were recorded. The recorded data was subjected to classification. The data was classified on the following basis.

1. On the basis on Sex.
2. On the basis of Age.
3. On the basis of Qualification.
4. On the basis of Marital Status.
5. On the basis of Numbers of Family Members.
6. On the basis of working category.
7. On the basis of Occupation of the Customer.
8. On the basis of Annual Income
9. On the basis of Policy holders retaining the Policy in years etc

**Statistical Methods**

The classified data were subjected to the statistical method of analysis. The statistical methods adopted consist of mean, standard deviation and for testing Null Hypothesis Chi-Square test was adopted.

The distribution of teachers on different classified areas, the men and standard deviation Tables and the Chi-Square test results of different Null hypothesis shall be given in the technical analysis of the subject. The STRATA statistical package and computerized data processing shall be adopted for Tabulation, Analysis and Interpretation of Data.

**Methods of Reporting**

The research reporting text, consist of tables, bar diagrams and pie diagrams for providing effective understanding.