Chapter 1
Introduction

1.1 Introduction

Marketing is all about satisfying Customer's needs profitably in a socially responsible manner. Marketing has evolved through traversing three major eras of: Production Orientation, Selling Orientation and Marketing Orientation. Marketing concept is a management philosophy where the Customer is the pivotal point. This requires finding out customer needs and wants and works to satisfy them through coordinated sets of activities, thereby achieving company objectives. Customer satisfaction and retention is the most important task for companies adopting marketing concept[1]. Marketer first understand the needs of individual or group, then satisfies the needs by developing required goods or services, with an intention to earn profit for the enterprise to grow. In today's Customer centric era, customer is the focal point for all marketers, all the marketing activities are done based on customer's needs and wants. Customers always have expectations from the Product or Service he or she buys or consumes, after purchase he/she gathers some experience, then this Experience from the Product or Service is compared with the Expectations he/she has with the Product before buying is compared, and if the Experience meets the Expectations the Product or Service is on line, if it exceeds then there is Customer Delight, but if it is less than Expectations – the main issue for Marketers, Customer might slip away to the hands of competitors. Bell and Zemke[2] define service failures as situations

---

[1] Marketing Management – Text and Cases, Author: SHH Kazmi, ISBN: 978-81-7446-542-9, First Edition, New Delhi, 2007, Reprint 2009, 2010,2011. Excel Books, A-45, Naraina, Phase-1, New Delhi – 110 028

[2] Bell, C.R., & Zemke, R.E. (1987). 'Service breakdown: The road to recovery'. Management Review, 76(10), 32–35.

in which customers are dissatisfied because their perception of the service they have received is below their expectation. The insurance industry can experience an image problem due to the possibility of ethical lapses (Hoffman et al.[3]).

This study makes an attempt to understand the Gap between Expectation and Experience with respect to Life Insurance Services in Assam. The Gap 5 of **SERVQUAL** or **RATER, and Gronroos Model of perceived service quality** and **4C concept of Marketing Mix** are the basis of the study. 5 out of top 10 districts in terms of Banking, Financial and Insurance Business are taken into consideration for the study. The Districts headquarters of the state Assam covered by the study are: (a). Sivasagar headquarter (Sivasagar District), (b). Jorhat headquarter (Jorhat District), (c). Tezpur headquarter (Sonitpur District), (d). Guwahati headquarter (Kamrup (Metro) District), (e). Silchar headquarter (Cachar District).

a) SERVQUAL or **RATER MODEL**

The SERVQUAL service quality model was developed by a group of American authors, 'Parsu' Parasuraman, Valarie Zeithaml and Len Berry[4]. It highlights the main components of high quality service. The SERVQUAL authors originally identified ten elements of service quality, but in later work, these were collapsed into five factors - reliability, assurance, tangibles, empathy and responsiveness - that create the acronym RATER. Businesses using SERVQUAL to measure and manage service quality deploy a questionnaire that measures both the customer expectations of service quality in terms of these five dimensions, and their perceptions of the service they receive. When customer expectations are greater than

[3] Hoffman, D., Howe, V., Hardigree, D.W. (1991). 'Ethical dilemmas faced in the selling of complex services: significant others and competitive pressures'. Journal of Personal Selling & Sales Management. 11(4), 13–25

[4] Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1988). SERVQUAL: A multiple item scale for measuring consumer perceptions of service quality. Journal of Retailing, 64 (1), 12–40.

their perceptions of received delivery, service e quality is deemed low. In additional to being a measurement model, SERVQUAL is also a management model. The SERVQUAL authors identified five Gaps that may cause customers to experience poor service quality [5]**:**

Gap 1: between consumer expectation and management perception,

Gap 2: between management perception and service quality specification,

Gap 3: between service quality specification and service delivery,

Gap 4: between service delivery and external communication,

Gap 5: between expected service and experienced service.

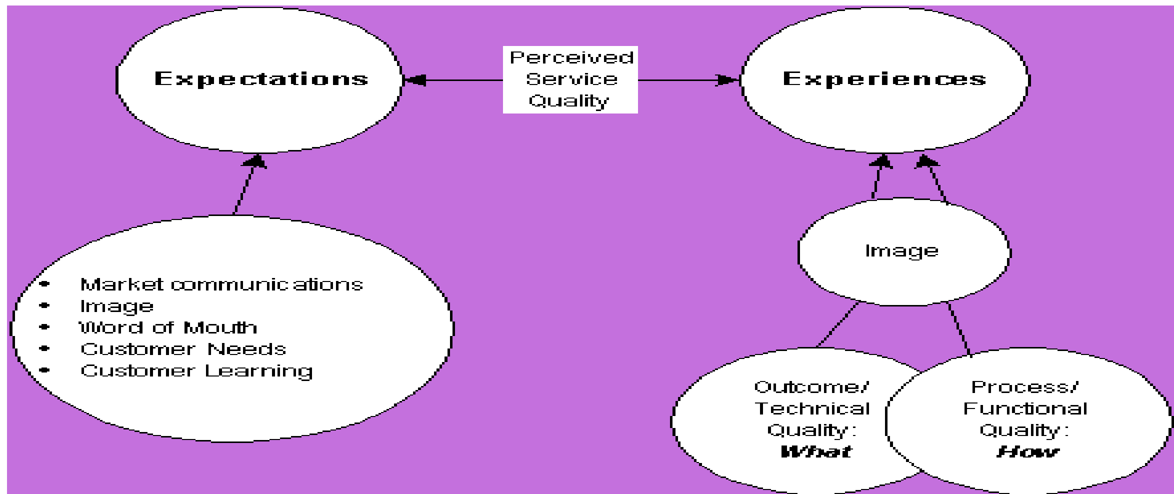
b) Gronroos Perceived Service Quality Model[6]

Expectations are a function of market Communications, Image, Word of Mouth, and Consumer Needs and Learning, whereas Experience is a Product of a technical and functional quality, which is filtered through the Image. Grönroos more clearly shows the existence of a perception gap, although there is no suggestion of "delighting" only of narrowing the gap. However the model has more practical application as it shows factors that contribute to each side of the gap. It demonstrates that the supplier can affect both sides of the gap – most notably by managing customer expectations. In addition it illustrates that the customer experience is a product of the image of supplier quality, not just the actuality. Clearly marketing as well as process and technical quality has an effect on the perception gap.

[5]http//www.slideshare.net/rockpulkit/servqual-model

[6] http://www.degromoboy.com/cs/gronroos.htm, retrieved 10 11 2014

Chart 1.1: Gronroos Perceived Service Quality Model [7]



Source: Gronroos perceived service quality model

Customer Expectations – what customer needs from a product or service, it is of vital importance for service marketer to know and understand the expectations of a customer to make the product or service success. Knowing what customer expects from it is the prime and most important step for marketers. Pre purchase experience and personal needs are the major factors for Expectations.

Customer Expectation survey – Life Council had formed core group of life companies to work on customer expectation survey. Core group had meetings at council office, Mumbai. Sub group of life companies formed within the core group worked on the draft RFP to be issued to consultants and submitted to council.[8]

The only way, therefore, we can build a competitive advantage is by enhancing customer experience. Customer centricity goes to the heart of how we think and manage our businesses and our relationships with the clients. It is about how we design our products, how we build our internal systems and processes, how we sell and finally how we service

[7] http://www.degromoboy.com/cs/gronroos.htm , retrieved 10 11 2014
[8] http://www.lifeinscouncil.org/ - Life Insurance Council – Important Activities during 2013-14

our customers. Customer Centricity also builds a long lasting relationship with the clients based on trust and fair play. Oliver[9] stated that "satisfaction is the consumer fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under-or over-fulfillment". Oliver[10] explained that customer satisfaction arises when customers weigh their perceptions of actual service performance against their expectations and any discrepancy between the two generates disconfirmation which can be of three types: Positive disconfirmation: high satisfaction. Negative disconfirmation: high dissatisfaction. Zero disconfirmation: zero satisfaction.

1.2 Financial Services and Indian Financial Service Sector[11]

Financial Service is not defined in any statute in India. It generally means a combination of Banking, Insurance and Capital Market, Banking and Non – Banking finance companies are regulated by RBI, Insurance companies being regulated by IRDA and Capital Market is regulated by SEBI.

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks

---

[9] Oliver, R. L. (1981). Measurement and evaluation of satisfaction processes in retail settings. Journal of Retailing, 57, 25–47.

[10] Oliver, R. L. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. Journal of Marketing Research, 17, 460–469

[11] http://www.ibef.org/industry/financial-services-india.aspx retrieved on 12/5/2015

accounting for more than 64 per cent of the total assets held by the financial system. The financial services sector has been an important contributor to the country gross domestic product (GDP) accounting for nearly 6 per cent share in 2014-15.

1.3 Insurance Industry Snapshot

1.3.1 World Insurance Scenario

As per *World Insurance Report 2013 published by reinsurance major Swiss Re, global*[12] economic growth was about the same in 2013 as in 2012, and still below long-term trends. Global real gross domestic product (GDP) grew by 2.5 per cent in 2013, a little changed from that of 2012 and below the 10-year average of 2.8 per cent. Economic growth in advanced markets was unchanged at 1.3 per cent with the US slowing to 1.9 per cent from 2.8 per cent in 2012 and Western Europe returning to a low growth of 0.3 percent from –0.2 per cent the year before. While growth in German and UK economies were robust, growth in the French and the southern economies (Greece, Italy, Portugal and Spain) improved but continued to lag. The US led the advanced economies in 2013, its growth based on a recovery in domestic consumption and investment spending. In Japan, Premier Abe launched unprecedented expansionary fiscal and monetary policy to reignite economic growth and escape two decades of stagnation. This led to a weaker yen and stronger exports. However, it could also generate rising yields if inflation expectations rise, which in turn would increase financing costs. The consumption tax hike in April 2014, while reducing the government deficit, could also dampen economic growth. [13]

The insurance sector brings a number of positive contributions to society: by its very existence, the insurance mechanism is beneficial in many respects, and most companies are

---

[12] www.swissre.com retrieved on 15/5/2015
[13] Annual Report IRDA 2012-13 Pg. 16-20

concerned with risk reduction and prevention. Moreover, insurance companies increasingly tend to be concerned with responsibility issues. In this, they follow the example of a number of multinationals worldwide, which have now become familiar with the notions of sustainable development, corporate social responsibility, or triple bottom line. Over the past few years, a group of pioneering insurance companies such as AGF, Allianz, Aviva, AXA, the Co-operative Insurance Society, Friends Provident, ING Group, the Insurance Australia Group, Lloyds TSB, Prudential, the Royal Bank of Scotland Group, Storebrand and Swiss Re, has developed new policies in order to address mounting challenges in important areas. They have undertaken community involvement programs; they strive to integrate the environmental concern, both internally and externally; and they also show a growing interest for socially responsible investment. Besides, the insurance industry generates indirect positive effects on the functioning of the economic system: firstly, because it tackles the factors of insecurity which would otherwise lead agents to adopt a more cautious behavior; secondly, because it reduces the number of legal actions that would otherwise take place; and thirdly, because it alleviates the need for regulation in a vast number of areas.[14]

As per the report, global life insurance premiums written were USD 2608 billion in 2013, with growth slowing to 0.7 per cent from 2.3 per cent in 2012. Strong growth in Western Europe and Oceania was offset by a contraction in North America and stagnating sales in advanced Asia. Premiums contracted by 7.7 per cent in the US. This was mainly because large corporate deals that had boosted group annuity business in 2012 were not repeated. In emerging markets, life premium growth improved to 6.4 per cent in 2013. Growth was significant in Latin America and Africa; and has once again resumed in China

[14] The Insurance Business and its Image in Society: Traditional Issues and New Challenges by Henri-Claude de Bettignies, Francois Lepineux, and Cheon Kheong Tan, 2006/28/ABCM, online available at http://www.insead.edu/facultyresearch/research/doc.cfm?did=2016

and India. In advanced countries, post-crisis average premium growth has been well below pre-crisis levels. In emerging markets the same is true in Asia only. This is because of sharp declines in China and India coming after regulatory changes in both the markets in 2011. [15]

As per the report, the prospect for life premium growth is expected to resume in the advanced markets and improve in the emerging ones. The firming economy and labor markets in North America and Western Europe will support growth in life and non-life; and growth should hold up in emerging markets also. In the life sector, China and India in particular could see notable strengthening in premium growth.[16]

1.3.2 Indian Insurance in the Global Scenario

Globally, the share of life insurance business in total premium was 56.2 per cent. However, the share of life insurance business for India was very high at 79.6 per cent while the share of non-life insurance business was small at 20.4 per cent.[17]

In life insurance business, India is ranked 11th among the 88 countries, for which data is published by Swiss Re. India's share in global life insurance market was 2.00 per cent during 2013. However, during 2013, the life insurance premium in India declined by 0.5 per cent (inflation adjusted) when global life insurance premium increased by 0.7 per cent. [18]

1.3.3 Current Status of Indian Life Insurance Industry

The RBI notified government's decision to raise the foreign investment ceiling in private insurance companies from 26 per cent to 49 per cent, with the provision that the

---

[15] Annual Report IRDA 2012-13 Pg. 16-20
[16] Annual Report IRDA 2012-13 & 2013-14
[17] Annual Report IRDA 2012-13 Pg. 16-20
[18] Annual Report IRDA 2012-13 Pg. 16-20

management and control of these companies will be with Indians. This ceiling will be composite - both foreign portfolio investment and FDI. [19]

The benefit of accidental insurance cover of Rs 100,000 (US$ 1631.97) has been made available to all those who opened accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) launched on August 28, 2014 by Prime Minister Mr Narendra Modi; it would now cover also those who have opened zero balance accounts before August 28, to avoid duplication. [20]

In life insurance business, India is ranked 11th among the 88 countries globally, the share of life insurance business in total premium was 56.2 per cent. However, the share of life insurance business for India was very high at 79.6 per cent while the share of non-life insurance business was small at 20.4 per cent. [21]

Since the opening up of Insurance Sector in 2001, Life Insurance Industry has undergone vital changes. More customer friendly customized products, increased lives covered, Enhanced penetrations, Continuous developments with respect to channels- Bancassurance, Broking, Direct corporate agency, Electronic Channel etc. and increasing competitions in the market leads to fantastic promotion and suitably priced products in deed the industry has woken up since then, now industry has private players joined hand with multinational Insurance giants. The total penetration of Insurance (premium as a percentage of GDP) has increased from 2.7% of 2001 to around 5.2% in 2009; however since then the level of penetration has been declining reaching 3.9% in 2013. [22]

---

[19] http://articles.economictimes.indiatimes.com/2015-04-08/news/60942771_1_fdi-cap-insurance-sector-dipp, Date 21/7/2015, 11:34 am

[20] http://www.pmjdy.gov.in retrieved on 11/4/2015

[21] Annual Report IRDA 2013-14 Pg. 16-20

[22] Annual Report IRDA 2013-14 & 2014-15

The Indian life insurance industry has turned to competitive from monopoly with the entry of 23 new entrants since opening up. Life insurance industry has recorded a premium income of Rs. 3,14,283 crore during 2013-14 as against Rs. 2,87,202 crore in the previous financial year, registering a growth of 9.43 per cent (0.05 per cent growth in previous year). While private sector insurers posted 1.35 per cent decline (6.87 per cent decline in previous year) in their premium income, LIC recorded 13.48 per cent growth (2.92 per cent growth in previous year) While renewal premium accounted for 61.72 percent (62.62 per cent in 2012-13) of the total premium received by the life insurers, first year premium contributed the remaining 38.28 per cent (37.38 percent in 2012-13). During 2013-14, the growth in renewal premium was 7.85 per cent (3.88 per cent in 2012-13). First year premium registered a growth of 12.07 per cent in comparison to a decline of 5.78 percent during 2012-13, Further bifurcation of the first year premium indicates that single premium income received by the life insurers recorded growth of 22.50 per cent during 2013-14 (6.78 per cent growth in 2012-13). Single premium products continue to play a major role for LIC as they contributed 24.86 per cent of LIC’s total premium income (22.17 per cent in 2012-13). In comparison, the contribution of single premium income in total premium income during 2013-14 was 11.29 percent for private insurance companies (11.37 per cent in 2012-13). The regular premium registered a growth of 1.03 per cent in 2013-14, as against 16.21 per cent decline in 2012-13. The private insurers witnessed decline of 4.83 per cent (0.94 per cent decline in 2012-13), while LIC registered a growth of 5.25 per cent in the regular premium (24.58 per cent decline in 2012-13). Unit-linked products (ULIPs) witnessed 23.02 percent decline in premium income from Rs. 48,776 crore in 2012-13 to Rs. 37,547 crore in 2013-14. On the other hand, the growth in premium income of traditional products was at 16.07 per cent, with premium income increasing to Rs. 2,76,736 crore as against Rs.

2,38,427 crore in 2012-13. Accordingly, the share of unit-linked products in total premium declined considerably to 11.95 per cent in 2013-14 as against 16.98 per cent in 2012-13. [23]

The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters there could be a series of joint venture deals between global insurance giants and local players. The relaxation in the foreign direct investment (FDI) limit to 49 per cent can result in additional investments up to Rs 60,000 crore (US$9 billion). During April 2014 to February 2015 period, the life insurance industry recorded a new premium income of Rs 90,579 crore or US$ 13.6 billion. The general insurance industry grew at a rate of 9.3 per cent at Rs 0.84 trillion (US$ 12.6 billion) in 2014-15 from Rs 0.77 trillion (US$ 11.6 billion) in 2013-14.[24]

On the basis of total premium income, the market share of LIC increased from 72.70 per cent in 2012-13 to 75.39 per cent in 2013-14. Accordingly, the market share of private insurers has declined from 27.30 percent in 2012-13 to 24.61 per cent in 2013-14. The market share of private insurers in first year premium was 24.53 per cent in 2013-14 (28.64 percent in 2012-13). The same for LIC was 75.47 per cent (71.36 per cent in 2012-13). Similarly, in renewal premium, LIC continued to have a higher share at 75.34 per cent (73.50 per cent in 2012-13) when compared to 24.66 per cent (26.50 per cent in 2012-13) share of private insurers. During 2013-14, life insurers issued 408.72 lakh new policies, out of which LIC issued 345.12 lakh policies (84.44 per cent of total policies issued) and the private life insurers issued 63.60 lakh policies (15.56 per cent). While LIC registered a decline of 6.17 per cent (2.88 per cent growth in 2012-13) in the number of new policies

[23] Annual Report IRDA 2013-14 Pg. 16-22
[24] Annual Report IRDA 2012-14 & 2013-14

issued against the previous year, the private sector insurers continued the previous year's experience of significant decline and reported a dip of 14.11 per cent (12.88 per cent decline in 2012-13) in the number of new policies issued. Overall, the industry witnessed a 7.50 percent decline (0.01 per cent decline in 2012-13) in the number of new policies issued.[25]

Table- 1.1: New Policies issued: Life Insurers

Insurer	2012-13	2013-14	2014-15
Regular Premium			In Lakh
LIC	367.82 (2.88)	345.12 (-6.17)	201.71 (-41.55)
Private Sector	74.05 (-12.28)	63.60 (-14.11)	57.37 (-9.79)
Total	441.87 (-0.01)	408.72 (-7.50)	259.08 (-36.61)
Note: Figures in brackets indicate the growth (in per cent) over the previous year			

Source: Annual Report2013-14 & 2015-15(IRDA)

Table- 1.2- Premium Underwritten: Life Insurers

			Rs in Crore
Insurer	2012-13	2013-14	2014-15
Regular Premium (1)			
LIC	30313.52 (-24.58)	31904.49 (5.25)	23112.20 (-27.56)
Private Sector	21834.53 (-0.94)	20497.51 (-4.83)	23940.13 (16.79)
Total	52148.05 (-16.21)	52402.00 (1.03)	47052.33 (-10.21)
Single Premium (2)			
LIC	46297.98 (11.11)	58904.30 (27.23)	55395.51 (-5.96)
Private Sector	8915.05 (-11.20)	9018.92 (-2.08)	10880.10 (20.64)
Total	55213.03 (6.78)	67923.22 (22.50)	66275.61 (-2.43)
First Year Premium (3 =(1+2))			
LIC	76611.50 (-6.41)	90808.79 (18.53)	78507.71 (-13.55)
Private Sector	30749.58 (-4.15)	29516.43 (-4.01)	34820.23 (17.97)
Total	107361.08 (-5.78)	120325.22 (12.08)	113327.94(-5.82)
Renewal Premium (4)			
LIC	132192.08 (9.23)	146133.51 (10.55)	161159.94 (10.28)
Private Sector	47649.33 (-8.55)	47830.02 (0.38)	53613.26 (12.06)
Total	179841.41 (3.88)	193963.54 (7.85)	214773.20 (10.72)
Total Premium (5 =(3+4)=(1+2+4))			
LIC	208803.58 (2.92)	236942.30 (13.48)	239667.65 (1.15)
Private Sector	78398.91 (-6.87)	77340.90 (-1.35)	88433.49 (14.32)
Total	287202.49 (0.05)	314283.20 (9.43)	328101.14 (4.39)
Note: Figures in brackets indicate the growth (in per cent) over the previous year			

Source: Annual Report 2013-14 & 2014-15 (IRDA)

[25] Annual Report IRDA 2013-14 Pg. 17-20

1.4 Brief History of Life Insurance in India: [26]

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era – past few centuries – yet its beginnings date back almost 6000 years.

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. The United India in Madras, National Indian

---

[26] https://www.irdai.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo4&mid=2, Date 27/7/15, 4:59 pm

and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

1.5 Important Developmental issues in Indian Life Insurance Industry[27]

The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in-force as Rs.22.44 crore, it rose to 176 companies with total business-in-force as Rs.298 crore in 1938. During the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management

[27] http://www.lifeinscouncil.org, retrieved on 27/7/15,

of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

1.6 Reforms in the Life Insurance Sector in India

Some of the major milestones in the reform process are described below:

a) Malhotra Committee[28]

In 1993, Malhotra Committee was appointed to examine the structure of the insurance industry and recommend changes to make it more efficient and competitive. It was set up with an objective of complementing the reforms initiated in the financial sector. The committee opined that in its about 40 years of existence, LIC had been able to insure only 22 percentage of the insurable population. It suggested that a moot reason may be the lack of competition. Further, the monopoly resulted in lack of sensitivity to the policy holders and there was a greater scope for product innovation and service improvement.

Some of the main recommendations of the committee were:

• Insurance companies must be given greater freedom to operate.

• Private companies with a minimum paid up capital of 1 Billion must be allowed to enter the insurance sector.

• No company must be allowed to deal with both Life and General Insurance as a single entity.

[28] http://www.business-standard.com/article/specials/malhotra-committee-recommendations-198042201099_1.html

• Foreign companies may be allowed to enter the insurance sector but only in collaboration with Indian companies.

• An insurance regulatory body must be set up and the controller must be made independent.

• Mandatory investments of LIC Life Fund must be reduced from 75 percent to 50 per cent.

• LIC must pay interest on delays in payments if it increases beyond 30 days.

• Insurance companies must carry out up gradation of technology and computerization of operations.

• Industry must be opened up to competition in order to improve customer services and increase the coverage of insurance industry.

• It also proposed the setting up of an independent regulatory authority- the IRDA, to provide greater autonomy to insurance companies in order to improve their performance and enable them to function independently.

b) Mukherjee Committee[29]

Immediately after the publication of the Malhotra Committee Report, a new committee called the Mukherjee Committee was set up. Its objective was to make concrete plans for the requirements of the newly formed insurance companies. However, recommendations of the committee were never made public. But, from the information that filtered out it became clear that the committee recommended the inclusion of certain ratios in insurance company balance sheets to ensure transparency in accounting. But the Finance Minister objected suggesting that it could affect the prospects of a developing insurance company.

[29] www.irdaindia.org, *"Mukherjee committee report"* accessed on 17/4/2014

c) Insurance Regulatory Authority (IRA) Bill[30]

In December 1996, the Government of India introduced the Insurance Regulatory Authority Bill. Its objective was to provide a legislative framework for the establishment of an authority to ensure proper growth of the insurance industry and to protect the interest of the policyholders. It was referred to the Standing Committee of the Ministry of Finance which in turn suggested certain amendments to the bill and submitted its report in May 1997. However, the bill could not be passed and was withdrawn. It was reintroduced in the Lok Sabha in December 1998 but could not be taken up for consideration.

d) Insurance Regulatory and Development Authority (IRDA) Bill[31]

The IRA bill, renamed as Insurance Regulatory and Development Authority Bill, 1998 was passed by the Lok Sabha on December 2, 1999 and subsequently by the Rajya Sabha on December 7, 1999, and notified on December 29, 1999. The enactment of the Insurance Regulatory and Development Authority Act, 1999 ended the State monopoly of the insurance sector. The IRDA, as an autonomous body, was constituted on April 19, 1999 vide Government of India notification number 277. The Act vested the IRDA with the responsibility of regulating and developing the business of insurance and re-insurance in India.

The IRDA began functioning on April 19, 2000 with N. Rangachary as its first Chairperson and with 4 full-time directors and 2 part-time directors, in addition to the 25-member Insurance Advisory Council. The members of the council represented various industries and professions. The IRDA appointed its first advisory panel with 23 members on May 25, 2000.

---

[30] Annual Report IRDA 2013-14

[31] https://india.gov.in/official-website-insurance-regulatory-and-development-authority accessed on 7/5/2015

Some important functions of IRDA are:

• To regulate, ensure and promote the orderly growth of the insurance business.

• To prescribe regulations on the investment of funds by insurance companies.

• To regulate the maintenance of the margin of solvency.

• To adjudicate the disputes between insurers and intermediaries.

• To supervise the functioning of the Tariff Advisory Committee.

In addition to these main functions, the IRDA also performs the following additional functions:

• It provides a certificate of registration to a life insurance company.

• It is responsible for the renewal, modification, withdrawal, suspension or cancellation of this certificate of registration.

• It frames regulations on protection of policyholders' interests.

• It offers policyholders the right to voice their complaints against insurers or insurance companies.

• The IRDA has set up the grievance redress cell to take up the complaints of the policyholder.

• It specifies the requisite qualifications, code of conduct and practical training for intermediaries or insurance intermediaries and agents.

• It promotes and regulates activities of professional organizations connected with life insurance.

• It can call for information from; undertake the inspection of, conduct enquiries and investigations including the auditing of insurers, intermediaries, insurance intermediaries and other organizations connected with the business of life insurance.

In addition to the IRDA, some of the other supporting organizations which facilitate in the working of the industry are:

i. **Tariff Advisory Committee:** The main task of Tariff Advisory Committee is to regulate and control the rates, benefits, terms and conditions offered by life insurance companies in India.

ii. **Insurance Association of India:** All insurance companies in India are members of the Insurance Association of India. It has two councils under its patronage- the Life Insurance Council and the General Insurance Council.

iii. **Ombudsmen:** Ombudsmen play important role in regulating and ensuring smooth functions of the insurance companies. They are appointed to address all complaints relating to settlements of claims. Anyone having a grievance against an insurance company can approach Ombudsmen for redressed.

e) Insurance Councils[32]

The insurance councils that were in existence under the provision of the Indian Insurance Act 1938 were not effective and practically defunct during the days of State monopoly. However, after the constitution of the IRDA in February 2001, vide the power vested in it under Sections 64C and 64F of the Insurance Act, 1938; it revived the Life Insurance Council and the General Insurance Council. These two councils, each headed by a member of the IRDA, play significant roles in establishing industry standards.

Life Insurance Council is a forum that connects the various stakeholders of the sector and develops and coordinates all discussions between the Government, Regulatory Board and the Public. In short, it is the face of the Life Insurance industry. It functions through several sub-committees and includes all life insurance companies in India. The Life

[32] http://www.lifeinscouncil.org/ accessed on 22/2/2015

Insurance Council is formed of representatives from the 24 insurance companies currently operating in India. The council is led by the Chairman IRDA and a member of the IRDA.

Some of the major functions of the life insurance council include:

- Creating a positive image of the industry and enhancing consumer confidence.
- Maintaining high standards of ethics and governance.
- Promoting awareness of the role and benefits of life insurance.
- Organizing structured and proactive discussions with Government, lawmakers and regulators.
- Conducting research in life insurance, publish monographs and contribute to development of the sector.
- Acting as forum of interaction with other organizations of the financial services sector.
- Playing a leading role in insurance education, research, training and conferences.
- Providing help and guidance to members when necessary.
- Be an active link between the Indian life insurance industry and the global markets.

1.7 Boston Consultancy Group (BCG)'s views[33]:

Fundamental Trends reshaping Life Insurance: Demographics and technology are all friendly forces for the industry. Insurers are well poised to help older people manage their assets in mature markets, especially as the government's role in providing retirement income shrinks. In emerging markets, insurers can cater to the desire of the expanding middle class to save and plan for the future. Digital and mobile technologies are opening new, low-cost channels to consumers in all markets. (See Table 1.3)

---

[33]https://www.bcgperspectives.com/content/articles/insurance_fundamental_trends_reshaping_life_insurance/

Table 1.3: Opportunities and Threats for Life Insurers

Opportunities		Threats	
Ageing Population		**Low Interest rates**	
Rising Need for Retirement products	a	increasing pressure on profitability and costs	a
Greater awareness of changing needs because of increasing longevity	b	worsening value proposition of insurers	b
Reduced support by governments and employers		**Increasing regulatory scrutiny**	
Lower government pensions	a	Strengthening new rules for capital	a
Rising need for individual retirement products	a	Greater regulation of sales and conduct	b
Digitalization		**Growing customer concerns**	
Access to new customer segments	b	Selling scandals and loss of trusts	b
Need to reformulate personal advice	b	Increasing demand for transparency	b
Future Customers		**Competition from alternative providers**	
Emerging middle class	a	Banks with more flexible forms of savings	b
Demand for simple savings and protection	a	Asset managers offering retirement products	b

Source: BCG Analysis

Implications for life insurers

a Driver of profitability and growth

b Shift in response to changing customer and distribution requirements

For an industry known for complex products, the trend toward simplification presents several challenges. Insurers will need to sharpen their skills in consumer insight to identify the most attractive features and benefits for specific segments. The new products will also need to be successfully integrated into insurers' distribution networks without alienating the existing sales forces. Insurers must address the hybrid needs of more savvy consumers, who often seek streamlined, simple products and services for a specific need such as life or accident insurance or savings but still require some support during sales and service. Such a multichannel approach could combine the best of worlds by leveraging simplicity and personalization.

Simplification is a smart strategy for new and low-end insurance customers, but it is generally unsuitable for the affluent segment. These customers have the means and the desire to pay for advice, customization, and more advanced financial-savings products. Despite changes in the industry, the best financial advisors still have a role to play and can

actually increase their earnings by focusing on affluent customers and sophisticated products.

In many markets, consumers have grown frustrated with the increasing complexity of life insurance products and the lack of transparency and questionable sales practices of insurers themselves. These consumers have gravitated toward other savings products, such as bank accounts, mutual funds, and employers' savings plans. Meanwhile, regulators have encouraged employees to save for retirement by supporting auto enrollment in their companies' plans and providing tax benefits that promote participation.

These trends have helped raise the importance of using the workplace as a sales channel. Insurers may now integrate several insurance and savings offers into one customer-friendly package that carries the employer's stamp of approval. Insurers have offered basic life and disability insurance through the workplace for a long time already. But they now offer a much wider range of products and services and developing an integrated workplace-marketing machine that combines industry-specific expertise with scale and technology.

1.8 Life insurance – Important features:

1.8.1 Principles of Life Insurance: [34]

a) Law of Large Numbers

Insurance and more particularly Life Insurance relies on the law of large numbers to minimize the losses and make it viable. The law of large numbers, shows that, in insurance the greater the number of similar exposures to a peril, the less observed loss experience will deviate from the expected loss experience. The Law of Large Numbers does not suggest that the losses to particular individual will become more predictable. Rather it suggests that the

[34] http://docplayer.net/1238186-1-basic-principles-of-life-insurance-1.html

larger the group (of people) insured, the more predictable will be the loss experience of the entire group, other things being similar.

b) Principle of Indemnity

The insurance contract should always be a contract of indemnity only and nothing more. According to this principle, the insurance contract should be such that in case of loss due to the events mentioned in the contract, the insured should be neither better off nor worse off after receiving the insured amount. The main object of this principle is to ensure that the insured is not able to use this contract for speculation or gambling. But life insurance is an exception to this rule, as the economic value of a human life cannot be measured precisely. One could not be put precisely in the same financial position occupied before the loss. Nevertheless, life insurance underwriting takes care not to over insure by preventing insures from acquiring more life insurance than their financial position justifies.

c) Principle of Insurable Interest

Under this principle of insurance, the insured must have interest in the subject matter of the insurance. Absence of insurance makes the contract null and void. If there is no insurable interest, an insurance company will not issue a policy. An insurable interest must exist at the time of the purchase of the insurance. For example, a creditor has an insurable interest in the life of a debtor, a person is considered to have an unlimited interest in the life of their spouse etc.

d) Principle of Utmost Good Faith/ *Uberrimae fidei* (a Latin phrase)

This is a very basic and first primary principle of insurance. According to this principle, the insurance contract must be signed by both parties (i.e insurer and insured) in an absolute good faith or belief or trust. The person getting insured must willingly disclose and surrender to the insurer his complete true information Sharing of risk – each for all and

all for each. The peril shall be accidental and not intentional and deliberate. In simple parlance none in the group shall set fire to his assets and ask others to share costs of damage. The manner in which the loss is to be shared can be determined in advance based on mortality tables and premiums are collected suitably by the insurers. The insurer acts as a trustee in managing the common fund. Insurer has to ensure that nobody is allowed to take undue advantage of the insurance arrangement and thus he has to prevent entry of people whose risks are not of the same kind. In technical parlance, the insurer has to prevent adverse selection. The decision to allow / disallow to issue a policy on any life is called underwriting and the under-writer assesses the risk and decides the premium to be charged on any life. Insurance indemnifies the loss but it cannot prevent a loss. Insurance is not gambling in the sense that it depends on standard actuarial principles and standard underwriting procedures. Contract of insurance is intangible. It is selling a promise that is payable at a later date in the event of untoward incident or at the time of maturity.

1.8.2 Life Insurance Contract

As per the Indian Contract Act, 1872 the following are the essentials of a contract:

- Offer and Acceptance
- Consideration
- Capacity to Contract
- Consensus Ad Idem
- Legality of the object

Over the above an Insurance contract must have the following:

a) **Ubereime fidie (Utmost good faith)**: The insurer basically does not know the health, habits, family history, personal history etc of the individual proponent unless they are revealed. Medical examination can supplement but it cannot supplant the true information available in the proposal since there are certain diseases like B.P

and diabetics which can be hidden through appropriate medication. These facts are material for the consideration of the risk and non disclosure of these facts put the insurers and the community of the policy holders to disadvantage. The principle was enunciated as follows: As the underwriter knows nothing and the man who comes to him asking for insurance knows everything, it is the duty of the assured to make full disclosure to the underwriter without being asked, of all material circumstances. This is expressed by saying that it is a contract of 'UTMOST GOOD FAITH'[35]. While the principle of Caveat Emptor (let the buyer beware) is the guiding principle of all contracts, the principle of good faith distinguishes insurance contract from other contracts. In view of this, the section 45 of the Insurance Act 1938 enshrines the insurer to revoke a contract within 2 years from the commencement of risk on the ground that the material facts are suppressed.

b) **Insurable interest:** The object of insurance should be legal. Life insurance would be gambling, if the beneficiary of the insurance has no interest in the life of the insured. Such insurance is not permitted. Insurable interest is said to exist when the beneficiary benefits by the existence of the subject and is prejudiced by damage or loss of it. An individual life assured would have unlimited insurable interest on his own life. Husband has insurable interest on the life of his wife and vice versa. Partners have insurable interest on the lives of partners to the extent of their share in the business. A surety has insurable interest on the life of co-surety to the extent of debt and also on the life of the principle debtors.

1.9 Concepts used in the Study:

The following important concepts have been used in the following study to study:

---

[35] Balachandran,S, Life Insurance- IC 33 published by Insurance Institute of India, 2007, page no 22

(a) Image[36]:

Images may be two-dimensional, such as a photograph, screen display, and as well as a three-dimensional, such as a statue. They may be captured by optical devices—such as cameras, mirrors, lenses, telescopes, microscopes, etc. and natural objects and phenomena, such as the human eye or water surfaces. A mental image exists in an individual's mind: something one remembers or imagines. The subject of an image need not be real; it may be an abstract concept, such as a graph, function, or "imaginary" entity.

(b) Brand:

Hislop[37] defined branding as "the process of creating a relationship or a connection between, a company's product and emotional perception of the customer for the purpose of generating segregation among competition and building loyalty among customers." Kapferer[38]and Keller[39] respectively defined it as a fulfillment in customer expectations and consistent customer satisfaction. Simon and Sulliva[40] define Brand Equity in terms of incremental discounted future cash flows that would result from a product having its brand name in comparison with the proceeds that would accrue if the same product did not have its brand name. The right recovery strategy may create brand equity in which customers themselves become the advertiser and conduct self-motivated campaigns promoting the service provider Lovelock[41].

---

[36] http://whatis.techtarget.com/definition/image

[37] Hislop M. 2001. An overview of branding and brand measurement for online marketers , available online at http://www.gorillanation.com, accessed on 22/4/2015

[38] Kapferer JN., The new strategic brand management, creating and sustaining brand equity long term. London: Kogan Page; 2008.

[39]Keller KL., Strategic brand management, building, measuring and managing brand equity. Upper Saddle River, NJ: Prentice Hall; 2008.

[40] http://www.jstor.org/stable/10.2307/1252054 accessed on 17/4/2014

[41] Lovelock, C. (2008). ‘Services marketing: People, technology, strategy (5th ed.). Noida, India: Pearson Education.

(c) Brand and Brand Image[42]

A Brand is a solution towards consumer's expectation. It is a trademark, it is safeguard for the companies of being copied, it helps consumers to identify, for organization it is an effective tool for gaining competitive advantage.

Brand Image is the current view of consumer towards a brand, it is internal to the consumer or what the consumer thinks about a brand is Image, Image is developed positive or negative- the image will be positive if the experience is equal to expectation, the image will be negative if experience is lesser than expectation, and the image will be delighted if the experience surpasses the expectations. Brand image is developed from the various associations a consumer develops about a brand.

The table elaborates the terms called Brand Identity and Brand Image:

Table No. 1.4 Brand Identity vs. Brand Image

	Brand Identity	**Brand Image**
1	Brand identity develops from the source or the company.	Brand image is perceived by the receiver or the consumer.
2	Brand message is tied together in terms of brand identity.	Brand message is untied by the consumer in the form of brand image.
3	The general meaning of brand identity is "who you really are?"	The general meaning of brand image is "How market perceives you?"
4	It is nature is that it is substance oriented or strategic.	It is nature is that it is appearance oriented or tactical.
5	Brand identity symbolizes firms' reality.	Brand image symbolizes perception of consumers
6	Brand identity represents "your desire".	Brand image represents "others view"
7	It is enduring.	It is superficial.
8	Identity is looking ahead.	Image is looking back.

[42] http://www.managementstudyguide.com/what-is-brand.htm

9	Identity is active.	Image is passive.
10	It signifies “where you want to be”.	It signifies “what you have got”.
11	It is total promise that a company makes to consumers.	It is total consumers’ perception about the brand.

Source: *http://www.managementstudyguide.com/identity-vs-image.htm*

(d) Marketing:

Kotler & Armstrong[43] in the book ‘Principles of Marketing’ defined Marketing as “a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging value with others, and marketing consists of actions taken to build and maintain desirable exchange relationship with target audiences”. The marketing process allows an organization to concentrate on its resources on the optimal opportunities with the goal of achieving sustainable competitive advantages (Baker[44]).

(e) Marketing Mix:

The term Marketing Mix was first coined by Neil Borden[45], the president of American Marketing Association in 1953. The term was suggested to Borden by Culliton[46] while he described a business executive as a ‘mixer of ingredients’. Culliton[47] compared an executive with ‘a mixture of ingredients’ who sometimes follows a recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried. Marketing Mix is a collection of elements which are clustered together in order to simplify managerial activity (Kalyanam

---

[43] Kotler, P. & Armstrong, G. (1996). *Principles of Marketing* (7th ed.) Upper Saddle River, New Jersey: Prentice-Hall.
[44] Baker, M. (2008). *The Strategic Marketing Plan Audit.* Devon: Cambridge Strategy Publications Limited.
[45] Borden, N.H. (1964). The Concept of Marketing Mix. Journal of Advertising Research, 2, 7-12.
[46] Culliton, J.W. (1948). *The Management of Marketing Costs.* Boston, MA: Graduate School of Business Administration, Harvard University.
[47] Culliton, J.W. (1948). *The Management of Marketing Costs.* Boston, MA: Graduate School of Business Administration, Harvard University.

& McIntyre[48]). The number of possible strategies of the Marketing Mix is infinite and the decisions cannot be made on one of the element of the Marketing Mix without considering its impact on other elements (low & Kok[49]). The Marketing Mix elements can be adjusted according to the changing needs of market. Marketing Manger uses these elements by blending in an optimum way. Stanton & Greg[50] stated in 'Management of Sales Force' that the elements of Marketing Mix are to be blended effectively to form a marketing program that provides satisfaction to the market.

(f) Marketing Mix Models:

Borden[51] utilises that the phrase "mixer of ingredients" which the ingredient is the marketing mix. He argues that there are 12 elements of the marketing mix of manufacturers namely: product planning (related to product lines to be offered, markets to sell and new product policy), pricing (price level to adopt, specific prices to adopt, price policy), branding (selection of trademarks, branding policy), channels of distribution (channels to use between plant and consumer, degree of selectivity among wholesalers and retailers, efforts to gain cooperation of the trade), personal selling which related to the method employed in manufacturer's organisation, wholesale and retail segment of the trade, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis. McCarthy[52] redefined Borden's idea further and defined the Marketing Mix as a combination of all of the factors to satisfy the target market. McCarthy regrouped the 12 elements suggested by Borden by proposing four P's classification in 1960, which has since

[48] Kalyanam, K., & McIntyre, S. (2002). The E-Marketing Mix: a Contribution of the E-Tailing Wars. *Academy of Marketing Science Journal,* 30(4), 487-499.
[49] Low, S.P., & Kok, H. M. (1997). Formulating a Strategic Marketing Mix for Quantity Surveyors. *Marketing Intelligence & Planning. 15(6), 273-280.*
[50] Rosann, L. S., Stanton, W. J. & Greg, A., 2002. Rich Management of a Sales Force. Irwin: McGraw-Hill.
[51] Borden, N.H. (1964). The Concept of Marketing Mix. Journal of Advertising Research, 2, 7-12.
[52] McCarthy, E. J. (1964). *Basic Marketin.* 1L. Irwin: Richard.

been used by marketers throughout the world, the 4 P are: Product, Price, Place and Promotion. Many researchers have explored more 'P's in addition to the traditional 4P's. Booms & Bitner[53] developed Marketing Mix model for Service industry by adding 3P's namely, Participants, Physical Evidence, and Process to the original 4P's. Kotler[54] added Political Power and Public Opinion formation to the Ps concept. MaGrath[55] suggested 3 more Ps- Personnel, Physical Facilities, and Process Management. Judd[56] proposed fifth P (i.e., People). Lauterborn[57] suggested a customer oriented Marketing Mix- 4C model According to him, 4Cs replaces the traditional 4Ps. The 4Cs are- Customer Solution replaces Product, Customer Cost replaces Price, Customer Communication replaces Promotion and Customer Convenience replaces Place. Baungartner[58] suggested 15 P's. Numerous modifications to the 4P framework have been proposed, but the most of the criticism have come from the Services Marketing (Rafiq & Ahmed[59]). Goldsmith[60] suggested that there should be 8 P's namely- Product, Price, Place, Promotion, Participants, Physical Evidence, Process and Personalization. However, subsequent P's are yet to get consensus about their eligibility on the practical application (Kent & Brown[61]). Sheth and Mittal[62] proposed 4A framework stating that customers who intend to purchase should have Acceptance, Affordability, Accessibility, and Awareness.

---

[53] Booms, B. H., & Bitner, B.J. (1980). Marketing Strategies and Organisation Structure, Marketing of Services (pp. 47-51). American Marketing Association.

[54] Kotler, P. (1986). *Principles of Marketing* (3rd ed.). New Jersey: Prentice Hall.

[55] Magrath, A.J., (1986). When Marketing Services, 4Ps are not enough. *Business Horizons. 29(3), 45-50.*

[56] Judd, V. C. (1987). Differentiate with the 5th P: People. *Industrial Marketing Management,* 16(4), 241-247.

[57] Lauterborn, B. (1990). New Marketing Litany: Four Ps Pass: C- Takes Over. *Advertising Age, 61(41),* 26.

[58] Baungartner, J. (1991). Nonmarketing Professionals Need More Than 4Ps. *Marketing News,* 22(july). 28.

[59] Rafiq, M., & Ahmed, P. K. (1995). Using 7Ps as a Generic Marketing Mix: An

[60] Goldsmith, R.E., (1999). The Personalised Market Place: Beyond the 4Ps. *Marketing Intelligence and Planning.* 17(4), 178-185.

[61] Kent, T., & Brown, R. B. (2006). Erotic Retailing in the UK (1963-2006) – The View from the Marketing Mix. *Journal of Management History,* 12(2), 199-211.

[62] Seth, J.N., & Mittal, B. (1996). A Framework for Managing Expectation. *Journal of Market Focussed Management. 1*, 137-158.

(g) 4C framework of Marketing Mix

Robert F. Lauterborn[63] proposed a four Cs classification in 1990 which is a more consumer-oriented version of the four Ps that attempts to better fit the movement from Mass Marketing to Niche Marketing. Traditional 4P Marketing Mix framework is basically a Product oriented model; he stated that for a successful marketing plan customers must be placed in the center of the marketing plan. Therefore, he came up with the "Four 4Cs" - Customer Solution (wants and needs), Cost, Communication and Convenience.

i) The customer solution concept is based on the fact that customers are interested in the solution of their problem in the form of need rather than the products and services offered by a company, Customer solution is a better approach it believes in offering the products as per customers' requirement. On this ground, it is said that customer solution can serve customer better by designing customer oriented solution in form of products and services. Thus 'Customer Solution' is more Customer Centric than earlier 'Product' concept. Hence, it impacts on the Image building.

ii) Customer cost represents a comprehensive approach of looking the total cost incurred by a customer for buying goods or services. The price is an essential component of cost, but not the total cost. Price represents the price fixed by a seller while customer cost includes all other associated cost in addition to the price. The cost other than price may include all those cost required for acquiring the products for actual use. In some cases such cost may be a substantial part of the total cost which should not be ignored. The traditional models have failed to recognize this fact which was considered as relevant by 4C model. Thus, price of a product shows the seller centric view while customer cost represents the

---

[63] Lauterborn, B. (1990). New Marketing Litany: Four Ps Pass: C- Wors Take Over. *Advertising Age, 61(41),* 26.

buyers' centric view. Hence, understanding 'Customer's Capacity to Pay' became another key success factor for Marketing. The 'Capacity to Pay' or 'ability to pay' also exerts its influence on the Image formation both for the Solution as well as Solution Provider.

iii) The communication model adopted by an organisation should be a customer centric. The customer communication focuses on the two-sided communication and includes all those strategy that is desired by a customer form the company. All promotional activities adopted by a company for communicating with the customers need re-modeling depending on what type of promotional strategy the customers expect from the companies. Customer communication element of 4C marketing mix framework provides a comprehensive sense of promotional activities from customer view point. In modern marketing era communication is the most important factor for Image buildup about the solution as well as solution provider.

iv) Customer Convenience concept is based on the paradigm of providing convenience to the customers' while buying/using the products or services. The customer convenience concept emphasizes on the fact that customers are interested in the convenience they actually require rather the place of availability of the products or services. Customer convenience element of 4C marketing mix framework has provided a comprehensive sense to place concept from customer view point. The convenience dimension too has its share in the overall image formation about the solution as well as solution provider.

Traditional 4P Marketing Mix framework is basically a Product oriented model and 4C model is consumer-oriented and more focused towards niche marketing instead of mass marketing. This alludes that more emphasis should be put on customer wants and concerns

(Dennis, Fenech & Merrilees[64]). The Lauterborn's 4C model (described previously) is more simple (Dennis, Fenech & Merrilees[65]) when compared to new models and can be used when deciding on marketing issues. Furthermore, its customer-orientation is its main characteristic and based on the suggestions that in the Internet era, the customer is the focal aspect. Within this new environment, the focus of the marketers has shifted towards understanding and satisfying individual and personalized, rather than collective needs, while placing more emphasis on customer's retention, customer service and relationship marketing (Constantinides[66]). In addition to this, the customers' behavior patterns are altered to a new level in which they have become better informed, individualistic, wired and require a greater degree of control over the marketing process (Schneler[67]). Moreover, they value this personalized approach and choose products that can be adapted instantly to their ongoing shifting needs and desires (Constantinides[68]). Yudelson[69] stated that 4P's are not the proper basis of the 21st century marketing. Rousey and Morganosky[70] supported the 4C concept by stating that "retailing marketers should replace the 4Ps with the Lauterborn's 4C's.

---

[64] Dennis, C., Fenech, T., Merriless, B. *Sale of Seven Cs Teaching Training aid for the (e-) retail mix.* *http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.518.3061&rep=rep1&type=pdf accessed on 20/5/2015*

[65] Dennis, C., Fenech, T., Merriless, B. *Sale of Seven Cs Teaching Training aid for the (e-) retail mix.* *http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.518.3061&rep=rep1&type=pdf accessed on 20/5/2015*

[66]http://www.academia.edu/219854/Constantinides_E._2002_The_4S_WebMarketing_Mix_model_Electronic_Commerce_Research_and_Applications_Elsevier_Science_July_2002_vol_1_1_pp_57-76

[67] Schneler, D. E. (1996). Use Strategic Marketing Model to Predict Customer Behaviour. *Sloan Management Review,* 37(3), 85-94.

[68]http://www.academia.edu/219854/Constantinides_E._2002_The_4S_WebMarketing_Mix_model_Electronic_Commerce_Research_and_Applications_Elsevier_Science_July_2002_vol_1_1_pp_57-76

[69] Yudelson, J. (1999). Adapting McCarthy's 4P's for the Twenty-First Century. *Journal of Marketing, 21(1),* 60-67.

[70] Rousey, S. P., & Morganosky, M. A. (1996). Retail Format Changes in US Markets. *International Journal of Retail & Distribution Management,* 24(3), 8-16.

According to Bhasin[71], the principle of 4C's of marketing stated that customer should be the prime focus unlike the traditional marketing mix where primary focus is on products.

(h) Customer Expectations:

Zeithaml, Parsuraman & Berry[72], stated that expectations are built on certain complex considerations which include his or her own pre-purchase beliefs and others opinion. The factors influencing expectations includes WOM (word of mouth) publicity, personal needs, past experience, external communications and Price. Expectations are the anticipations of future consequences based on prior experience, current circumstances, or some other source of information (Tyron[73]). Customer Expectation is considered as an important dimension of satisfaction (Kamaladevi[74]) Interplay between the degree of Expectation and the degree of Experience leads customers to any one of the domain of either satisfaction, or delight or dissatisfaction (Bihani[75]). Customer expectations are the inner standard beliefs and attitude by which customers judge the products or services (Arnold & Reynolds[76]). Customer expectations are the customer wants i.e., what customers feel that a firm should offer over and above what they actually offer (Hsieh & Yuan[77]). Giering[78] viewed that expectations of the customers are based on a number of factors including product quality, quality of a brand in a category, advertised quality, and disconfirmation

---

[71] Bhasin, H. (2011). *An Alternative to Marketing Mix – 4 C's of marketing.* Retrieved on 12/6/2013, from http://www.marketing91.com/alternate-marketing-mix-marketing/
[72] Zeithaml, V.A., Parsuraman, A., & Berry, L. L., (1990). *Delivering Quality Service: Balancing Quality Ser vice.* New York: The Free Press.
[73] Tyron, W. W. (1994). Expectations. In V. S. Ramchanran (Ed.), *Encyclopedia of Human Behavior.* San Diego: CA Academis.
[74] Kamladevi, B. (2009). Customer Experience Management. *The Romanian Economic Journal, 34*(4), 31-59.
[75] Bihani P. (2014). Image of Life Insurance Services- An Expectation – Experience Analysis(Customer Communication Dimension) *Asian Research Consortium- Asian Journal of Research in Business Economics and Management Vol- IV Issue-V May 2014.*
[76] Arnold, M. J., & Reynolds, K. E., (2003). Hedonic Shopping Motivation, *Journal of Retailing, 79,* 77-95.
[77] Hsieh, Y. H., & Yuan, S. T. (2010). Design of Customer Expectation Measurement Model in Dynamic Experience Delivery. *Pacific Asia Journal of the Association for Information System,* 2(3), 1-19.
[78] Giering, P.A, (1885). Journal of Consumer Research. *Effect of Product Trial on Customer Expectations, Demand, and Prices,* 12(June), 74-82.

sensitivity. Anderson & Sullivan[79] stated that a customer forms expectations from many sources such as previous experience, word of mouth and advertising. Robledo[80] has identified several determinations of expectation which includes past experience, reputation, formal and informal recommendations, promotion mix, personal needs and price. Davidow and Uttal[81] stated that expectations are formed by uncontrollable factors like customer background, psychological condition of the customer at the time of service delivery, and values and the images of the purchased product. Both the degree of Expectation and the degree of Experience are not permanent (Zeithmal, Parsuraman and Berry[82]). As and when customers receive new information expectations are reformed (Coye[83]). DeCarvalho & Leite[84] stated that level of expectations are reformed and changes with overall experience.

(i) Customer Experiences:

Experience is the powerful subjective human feeling associated with their psychological states (Purves, et al.[85]). Pullman & Gross[86] believes 'Experience occurs when a customer has a sensation or knowledge acquisition resulting from interaction of different elements of a context created by a service firm'. Customer Experience are the internal

---

[79] Anderson, E. W., & Sullivan, M. W. (1993). The Antecedent and Consequence of customer satisfaction for Firms. *Marketing Service.* 12(2), 125-143.

[80] Robledo, M. A. (2001). Measuring and Managing service quality: integrating customer expectations. *Managing Ser vice Quality: An International Journal,* 11(1), 22-31.

[81] Davidow, W. H., & Utpal, B. (1989). Service Companies: Focus on Falter. *Harvard Business Review, July-August,* 77-85.

[82] Zeithaml, V.A., Parsuraman, A., & Berry, L. L., (1990). *Delivering Quality Service: Balancing Quality Ser vice.* New York: The Free Press.

[83] Coye, R. W.(2004). Managing Customer Expectation in the service encounter. *International Journal of Service Industry Management,* 9(2), 54-71.

[84] DeCarvalho, F. A., & Leite, V. F. (1999). Attribute Importance in Service Quality: An Emperical Test of the PZB conjecture in Brazil. *International Journal of Service Industry Management,* 10(5), 487-499.

[85] Purves, D., Augustine, G. J., Fitzpatric, D., Katz, L. C., LaMantia, A. S., & William, S. N. (2001). *Neuroscience* (2nd ed.). Massachusetts: Sinauer Associates.

[86] Pullman, M. E., & Gross, M. A., (2004). Ability of Experience Design Elements to Elicit Emotions and Loyalty Behaviors. *Decision Science.* 35(3), 531-576.

responses based on some stimulus (Ruiping & Yujuan[87]). Customer Experience is a psychological feeling existing in the mind of the customer (Chodchuang & Haron[88]). Frye[89] stated "Customer Experience is an interaction between an organization and customer as perceived through a customer's conscious and sub-conscious mind. It is the blend of an organisation's rational performance, the senses stimulated and the emotions evoked and intuitively measured against Customer's Expectations all across all moments contact" Customers' always have an Experience whenever they come across a product or service (Berry, Carbonate & Hackel[90]). This is because consumption carries an experimental effect (Holbrook & Hirschman[91]). Both Expectation and Experience are interlinked and interchangeable, dependable (Klaus & Maklan[92]). Hume, Sullivian, Liesch & Winzar[93] observed that customer's own interpretation of actions and interactions designed by the provider creates Customer Experience. According to Verhoef[94] the determinants of customer experience include retail atmosphere, social environment, service interface, the price, and promotional activities. Customers' experience may also be influenced by brand

---

[87] Ruiping, X., & Yujuan, Z., (2006). The Construction of Service-Marketing based on Customers' Experience. *Canadian Social Science, 2(6),* 87-92.

[88] Chodchuang, S., & Haron, M. S. (2012). Cognitive Customer Experience of Woman Shopper in Personal Interaction in Thailand's Departmental Store: An Examination of the influence of Previous Experience. *Business Management Dynamics,* 10(1), 10-21.

[89] Frye, J. (2012). *Customer CEO Survey.2012: Customer Experience.* Retrieved on 10/10/2014, from http://landesk.com/blog/category/customer-service-2

[90] Berry, L. L., Carbonate, L. P., & Hackel, S. H. (2002). Managing Total Customer Experience. *MIT Sloan Review,* 43(Spring), 85-91.

[91] Holbrook, M. B., & Hirchman, E. C. (1982). The Experential Aspect of Consumption: Consumers Fantasies, Feeling, and Fun. *Journal of Consumer Research,* 9(2), 132-140.

[92] Klaus, P., & Maklan, S. (2011). Bridging the gap for estimation extreme sports: A model of sports tourism customer experience. *Journal of Marketing Management,* 27(13-14), 1341-1365.

[93] Hume, M., Sullivian, M., Liesch, P. W., & Winzar, H., (2006). Understanding Service Experience in Non-profit Performing Art: Implications for Operations and Service Management. *Journal of Operation Management,* 24(4), 303-324.

[94] Verhoef, P. C., Lemonb, K. N., Parsuraman, A., Roggeveen, A., Tsiros, M., & Schlesinger, L.A. (2009). Customer Experience Creation: Determinants, Dynamics and Management Strategies. *Journal of Retailing.* 85(1), 31-41.

perception (Kamaladevi[95]). Experience is the impression or perception created during the process of learning about acquiring, using, maintaining, and disposing of a product or service (Carbonate & Hackel[96]).

(j) Customer Satisfaction:

In recent times, customer satisfaction has gained new attention within the context of the paradigm shift from transactional marketing to relationship marketing (Gronroos[97]; Sheth & Shah[98]), which refers "to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges" (Morgan[99]). In numerous publications, satisfaction has been treated as the necessary premise for the retention of customers, and therefore has moved to the forefront of relational marketing approaches. Kotler[100] sums this up when he states: "The key to customer retention is customer satisfaction". Consequently, customer satisfaction has developed extensively as a basic construct for monitoring and controlling activities in the relationship marketing concept. This is exemplified through the development and publication of a large number of company, industry-wide, and even national satisfaction indices (Anderson & Sullivan[101], Fornell[102]; Anderson, Fornell, & Rust[103]). According to Fogli[104] service quality is a cognitive judgment

---

[95] Kamladevi, B. (2009). Customer Experience Management. *The Romanian Economic Journal, 34*(4), 31-59.
[96] Carbonate, L. P., & Hackel, S. H. (1994). Engineering Customer Experiences. *Marketing Management,* 3(3), 8-19.
[97] Gronroos, C. (1994). Quo Vadis, Marketing toward a Relationship Marketing Paradigm. *Journal of Marketing Management,* 10(5), 347-360.
[98] Sheth, J. N., & Shah, R. H. (2003). Till death do us part.. but not always: Six antecedents to a customer's relational preference in buyer-seller exchanges. *Industrial Marketing Management,* 8(32), 627-631.
[99] Morgan, D. L. (2002). *Essentials of Learning and Cognition.* Boston MA: McGraw Hill.
[100] Kotler, P. (1986). *Principles of Marketing* (3rd ed.). New Jersey: Prentice Hall
[101] Anderson, E. W., & Sullivan, M. W. (1993). The Antecedent and Consequence of customer satisfaction for Firms. *Marketing Service.* 12(2), 125-143.
[102] Fornell, C., (1994). "Productivity, Quality and Customer Satisfaction as Strategic Success Indicators at Firm and National Levels", *Integral Strategy,* H. B. Theorelli, ed. Forthcoming.
[103] Anderson, E. W., Fornell, C., Rust R. T.,(2001). *Customer Satisfaction, Productivity, and Profitability: Differences between Goods and Services.* Online available at http://bear.warrington.ufl.edu/centers/mks/articles/CustomerSatisfaction.pdf , retrieved on 20/5/2015.
[104] Fogli, L. (2006). Customer Service Delivery. San Francisco: Jossey-Bass

or attitude relating to a particular service; the customer's overall impression of the relative inferiority or superiority of the organization and its services. Anderson[105] has noted that, if a customer's recovery is higher than expectation, then under the magnified effect, this could eliminate his displeasure caused by previous service failure, resulting in the service recovery paradox. Service recovery satisfaction can lead to Purchase intention, which refers to degree of intention of customers to purchase products or service from a company in the future (Maxham III and Netemeyer[106]). The construct satisfaction is defined in literature by the by the expectancy disconfirmation paradigm (Oliva, Oliver & MacMillan[107]), by the equity theory (Oliver& Swan[108]). In the model suggested by Oliva, Oliver & MacMillan[109], satisfaction results from expectation and from disconfirmation. If expectations are met or exceeded, positive disconfirmation leads to satisfaction and if expectations are not met, negative disconfirmation leads to dissatisfaction. The characteristics of the contact person (relevant similarity and expertise) and relationship quality (trust and overall satisfaction) can be seen as a proxy for reputation. There are reasons to expect that good and poor advice might have a differential impact on the evolution of reputation (Hunt[110]). Studies have shown that the inability to effectively identify the causes of customer loss and to take appropriate measures is the main reason for failure in customer win-back (Smith, Bolton and

---

[105] Anderson, J. A. (1973). 'A theory for the recognition of items from short memorized lists'. Psychological Review, 80, 417–438.
[106] Maxham III, J, G. (2001). 'Service recovery's influence on consumer satisfaction, positive wordof- mouth, and purchase intentions'. Journal of Business Research, 54(1), 11–24
[107] Oliva, T. A., Oliver, R. T., & MacMillan, I. C. (1992). A catastrophe model for developing service satisfaction strategies. Journal of Marketing, 56, 83–95.
[108] Oliver, R. L., & Swan, J. E. (1989). Consumer perceptions of interpersonal equity and satisfaction in transactions: A field survey approach. Journal of Marketing, 53, 21–35.
[109] Oliva, T. A., Oliver, R. T., & MacMillan, I. C. (1992). A catastrophe model for developing service satisfaction strategies. Journal of Marketing, 56, 83–95.
[110] Hunt, H. K. (Ed.). (1977). Conceptualization and measurement of consumer satisfaction and dissatisfaction, (Report No. 77–103). Cambridge, MA: MSI.

Wagner[111]). Hart et al.[112] found that appropriate service recovery might change irritated and disappointed customers into loyal customers, and might even receive better evaluation than mistake-free service. Oliver & Bearden[113] stated that "satisfaction is the consumer fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under-or over-fulfillment". In service relationships, customers can identify a particular person as their service provider. Strong interpersonal relationships may help companies to weather short-term fluctuations in service quality and thereby prevent customer defection (Jonston & Clerk[114]).

(k) Gap Analysis:

Gap analysis generally refers to the activity of studying the differences between standards and the delivery of those standards. For example, it would be useful for a firm to document differences between customer expectation and actual customer experiences in the delivery of medical care. The differences could be used to explain satisfaction and to document areas in need of improvement. However, in the process of identifying the gap, a before-and-after analysis must occur. This can take several forms. For example, in lean management we perform a Value Stream Map of the current process. Then we create a Value Stream Map of the desired state. The differences between the two define the "gap". Once the gap is defined, a game plan can be developed that will move the organization from

---

[111] Smith, A. K., Bolton, R. N., & Wagner. J. (1999). 'A model of customer satisfaction with service encounters involving failure and recovery'. Journal of Marketing Research, 36(3), 356–372

[112] Hart, C., Heskett, J., and W. Earl Sasser.(1990) 'The profitable Art of Service Recovery'. Harvard usiness Review 68(4), 148–156.

[113] Oliver, R. L., & Bearden, W. O. (1985). Disconfirmation processes and consumer evaluations in product usage. Journal of Business Research, 13, 235–246.

[114] Jonston, R., & Clerk, G. (2008). *Service Operation Management.* Harlow: Prentice Hall

its current state toward its desired future state. [115] A gap analysis is a formal way to identify areas of operations that are not meeting desired performance levels, and to discover what can be changed to maximize results in that area. The Brand developers design and shape what a brand should say about itself and the values that are associated with it over time. This includes identifying the most competitive positioning for the brand by partnering its strengths with opportunities in the environment. Image Gap Analysis is an analysis of the gap between a brand's current image and its inspirational image concentrating on those items that can be changed in order to lesson or close the gap over time.[116]

In management literature Gap Analysis involves the comparison of actual performance with potential or desired performance. Kamaladevi[117] stated Gap Analysis refers to the comparison of present state and future state in order to identify the gap and areas which need improvement with regards to compliance to the relevant standard. Gap refers to the differences between customer expectations and perceptions (Zeithamal, Gremler & Bitner[118]). Zeithaml, Berry and Parasuraman[119] identified four types of gaps that need to be closed. They are- i. Not knowing what customers expect, ii. Not having the right service standard, iii. Not delivering to service design and standards, and iv. Not matching performance to promises. Gronroos[120] developed a model of perceived service quality to analyze the difference between expected and experienced service to determine the quality of service by borrowing the idea of disconfirmation of expectation from consumer behavior

---

[115] http://www.referenceforbusiness.com/management/Ex-Gov/Gap-Analysis.html

[116] http://www.b2bbranddebate.com/?tag=image-gap-analysis accessed on 15/4/15

[117] Kamaladevi, B. (2009). Customer Experience Management. *The Romanian Economic Journal,* 34(4), 31-59

[118] Zeithamal, V. A., Gremler, D. D., & Bitner, M. J.,(2010). *Service Marketing – Integrating Customer Focus Across the Firm* (4th ed.). New Delhi: Tata McGraw-Hill.

[119] Zeithaml, V.A., Berry, L. L., & Parasuraman, A.(1996). The behavioral consequences of service quality. Journal of Marketing, 60, 31–46.

[120] Gronroos, C. (1994). From marketing mix to relationship marketing: Towards a paradigm shift in marketing. Management Decision, 32 (2), 4–20.

literature. SERVEQUAL model developed by Parasuraman, Zeithmal & Berry[121] is the principal instrument widely used to measure quality of services. This model is a five dimensional model. The central idea of the model is to measure the gap between expectations and experiences. Markovic, Raspor and Sagaric[122] stated –The gap measurement between the customer's expectations and customer's experience is a principle indicator for determining service quality. Gap Analysis identifies gap and recommends strategies that a company may follow to maintain focus on its customers (Zeithamal & Bitner[123]).

(I) Life Insurance:

It's rather depressing thinking death. But unfortunately, it is about the most certain event in everyone's live. Life insurance adds value to the policy holder's financial holdings while taking care of loved ones after death. This is like creating a safety net for them when the bread winner is no longer there. Youth feels permanent but the fact is that life is unpredictable and purchasing life insurance reduces that unpredictability. Insurance protects against the unexpected with the assumption that the unexpected will happen sometimes. This 'sometimes' is much more often than we think. Friends or family may be around for assistance for some time after an unexpected death but eventually this assistance will dry up as people have their own lives to live. Essentially, life insurance is a contract between you as the policy holder and the insurance firm where you pay a certain amount of money each month which is invested towards a much larger sum which will be paid to the family upon

---

[121] Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985), "A conceptual model of service quality and its implications for future research", *Journal of Marketing,* Vol. 49 No. 4, pp. 41-50.

[122] Markovic, S., Rspor, S., & Segaric, K. (2010). Does Restaurant Performance Meet Customers' Expectations? An Assessment of Restaurant Service Quality Using a Modified Dineserv Approach. *Tourism and Hospitality Management,* 26(2), 181-195.

[123] Zeithaml, V. A., & Bitner, M. J. (2010). *Service Marketing: Integrating Customer Focus Across the Firm* (4th ed.) New Delhi: Tata McGraw-Hill.

death. The life insurance firm one chooses needs to be a trustworthy one as insured is going to have to trust them to take of his family when he is no longer around to do it himself. This makes sense. If one cared for his family while he lived, why should he leave them in the lurch when he is dead?[124]

Life insurance is a legal contract between a company and an individual purchasing life insurance. Life insurance can be the security blanket insured have been looking for. Life insurance can make insured tension free about the financial security of his family in case something happens to him. Life insurance covers are safe and secure and provides for his family even after his death. It can also be a lucrative investment option.[125]

1.10 Genesis of the Problem

It appears that the image of the insurance industry in the public opinion is not so good. In reality, it appears to be blurred, if not squarely bad. A number of reasons account for this negative perception: the opacity of the insurance business with its misrepresentation and mis-selling practices, the dissatisfaction about the insurance agents' reward system, the problems associated with the respect of customers' privacy, and the dilemmas related to the consequences of outsourcing decisions, count among the major determinants of the bad image conveyed by the industry. Moreover, its reputation has been further tarnished by corporate scandals such as the recent AIG affair, where the CEO had institutionalized wrongdoings in his company for decades[126].

The Image of Life Insurance and LI Companies are on a decreasing trend although there is a net increase in the number of Agents by 66 Lakhs, Products by 67, and Offices of

[124] http://www.lifeinsurancegroup.com/life-insurance-101/life-insurance-glossary.php, visited on 11-04-12
[125] http://www.marketresearch.com/map/research/life_insurance/440.html
[126] The Insurance Business and its Image in Society: Traditional Issues and New Challenges by Henri-Claude de Bettignies, Francois Lepineux, and Cheon Kheong Tan, 2006/28/ABCM, online available at http://www.insead.edu/facultyresearch/research/doc.cfm?did=2016

Life Insurance Companies by 747, but the decrease in New Business Premium by Rs. 57 Billion, There has been a situation of Increasing Household Savings, Decreasing Financial Savings, and this has resulted into decrease in the share of Life Insurance in Savings. These are acting as hindrances to the Life Insurance Industry as a whole, in other words there exists gaps[127]. The main reason gap and its analysis is important to firms amongst various types of dimension gaps the prominent one is the gap between customer expectations and customer experiences. This has its impact on the degree of Customer Satisfaction. Consequently, measuring gaps is the first step in enhancing customer satisfaction. Additionally, competitive advantages can be achieved by exceeding customer expectations. Gap analysis is the technique utilized to determine where firms exceed or fall below customer expectations[128]. C.S.Rao, ex-chairman of IRDA says that research in insurance remains a neglected area and there is need for a concerted effort to develop and define areas of focus for research in tune with the requirements of the industry. Without a research focus, no institute can expect to make tangible gains in the near future in terms of value addition; and, meeting the expectations of its members and the industry at large. The study of Gap analysis is of vital importance to understand if the product or service is satisfying the need or not. Expectation and Experience driven Image and consequent gap analysis takes more prominent strategic success factor, given that there is shift of service providers approach to customer focused approach in marketing.

1.11 Conclusion

In India, still life insurance is considered as an investment toll rather than its objective of security. Indian economy mainly depends on rural sector, and the rural masses

[127]Bihani, P. Image of Life Insurance – A Study from the Annual Reports of LI Companies & IRDA, online available at researchscripts.org

[128] http://www.referenceforbusiness.com/management/Ex-Gov/Gap-Analysis.html

still depends majorly on agriculture as the basic means of livelihood. The rural and remote areas are still facing lack of access by major players of the industry. The product development suitable for the mass is also a big challenge for the industry players followed by suitable pricing and promotion understandable by all the segments of the society. There is availability of much untapped rural potential with regard to life insurance. Lack of proven marketing techniques and lack of will for penetration from the private players. Inadequate market research of the needs of rural customers with regard to life insurance. Inadequate use of new techniques for tapping the rural market. Viewing rural coverage more of regulatory obligation than social obligation by the private players.

The insurance industry of India has started to reveal the potential after the process of reforms were started on the basis of recommendation of R.N. Malhotra Committee, which was set up in 1993 with an objective of creating a more efficient and competitive financial system suitable for the Indian economy. The Committee strongly felt that in order to improve the customer services and increase the spread of the insurance, this sector should be opened up to competition. The reforms in insurance sector resulted in to liberalization, privatization and globalization of insurance industry in India.

Current chapter outlines the overall introduction to the Insurance Industry in global, national and local context, various terminologies related to Life Insurance; Image; Gap Analysis etc. are discussed here in the chapter. The chapter also outlines the principles and important discussions related to Life Insurance.