



Thakur Educational Trust's (Regd.)

THAKUR COLLEGE OF SCIENCE & COMMERCE

AUTONOMOUS COLLEGE, PERMANENTLY AFFILIATED TO UNIVERSITY OF MUMBAI

NAAC Accredited Grade 'A' (3rd Cycle) & ISO 9001: 2015 (Certified)

Best College Award by University of Mumbai for the Year 2018-2019



ROLE OF INSURANCE IN FINANCE

A Project submitted to

University of Mumbai for partial completion of the degree of

Bachelor in Commerce (Financial Markets)

Under the Faculty of Commerce

BY

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Under the guidance of

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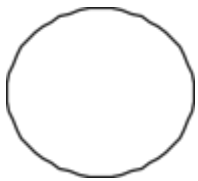
MARCH 2020

CERTIFICATE

This is to certify that Mr./Ms. _____
worked and duly completed his project work for the degree of Bachelor in commerce (Financial Markets)
under the faculty of Commerce and his project is entitled, "ROLE OF INSURANCE IN FINANCE"
under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part
of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and facts reported by his personal feelings and investigations.



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GUIDE

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Declaration by Learner

Date of submission:

I the undersigned Ms./Mr. _____
hereby, declared that the work embodied in this project work titled _____

_____ forms my own contribution to the research work carried out under the guidance of my NAME OF GUIDE, results of my own research work and has not been previously submitted to any other University for any other Degree/Diploma to this or any other University.

Wherever references have been made to previous work of others, it has been clearly indicated as such and included in the bibliography.

I, hereby further declare that all information of this document has been obtained and presented in accordance with academic rules and ethical conduct.

Name and signature of the learner

Certified by
name and signature of the guiding Teacher



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I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of his project.

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CHAPTER :1
INTRODUCTION

HISTORY OF INSURANCE SECTOR

Insurance has been around since ancient times. The Babylonians and Phoenicians had ocean marine insurance to protect a merchant against losses incurred when a ship did not reach its destination with its load of goods or did not return with payment. This forms of insurance, called respondentia evolved because the goods on board often were used as collateral for a loan. The lender charged the borrower interest on the loan and levied an additional sum, the premium, to cover the cost of the respondentia contract. If the ship reached its destination and returned, the merchant received the payment for the goods and in turn paid the moneylender. If the ship failed to return, the debt was cancelled. The system was profitable to lenders because many respondentia contracts were sold, debts were paid more often than cancelled.

Marine Insurance is the oldest form of insurance followed by life insurance. The oldest and the earliest records of marine policy relates to a Mediterranean voyage in 1347.

The early developments of life insurance in India were closely linked to marine insurance. The first insurers of life were the marine insurance underwriters who started issuing life insurance policies on the life of master and crew of the ship, and the merchants. The early insurance contracts took the nature of policies for a short period only. The underwriters issued annuities and pension for a fixed period or for a for life to provide relief to widows on the death of their husbands. The first life insurance policy was issued on 18th June 1583, on the life of William Gibbons for a period of 12 months.

HISTORY OF INDIAN INSURANCE INDUSTRY

Life Insurance

In 1818 the British established the first insurance company in India in Calcutta, the Oriental Life Insurance Company. First attempts at regulation of the industry were made with the introduction of the Indian Life Assurance Companies Act in 1912. A number of amendments to this Act were made until the Insurance Act was drawn up in 1938. Noteworthy features in the Act were the power given to the Government to collect statistical information about the insured and the high level of protection the Act gave to the public through regulation and control. When the Act was changed in 1950, this meant far reaching changes in the industry. The extra requirements included a statutory requirement of a certain level of equity capital, a ceiling on share holdings in such companies to prevent dominant control (to protect the public from any adversarial policies from one single party), stricter control on investments and, generally, much tighter control. In 1956, the market contained 154 Indian and 16 foreign life insurance companies. Business was heavily concentrated in urban areas and targeted the higher echelons of society. “Unethical practices adopted by some of the players against the interests of the consumers” then led the Indian government to nationalize the industry. In September 1956, nationalization was completed, merging all these companies into the so-called Life Insurance Corporation (LIC). It was felt that “nationalization has lent the industry fairness, solidity, growth and reach.”

Some of the important milestones in the life insurance business in India are:1912:

The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.

1928:The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938:Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public

1956:The market contained 154 Indian and 16 foreign life insurance companies .

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General insurance

The General Insurance industry in India dates back to the Industrial Revolution and the subsequent increase in trade across the oceans in the 17th century. As for Life Insurance, the British brought General Insurance to India, and a similar path was followed in the development of this industry. A number of private companies were in existence for years and years until, in 1971, the Indian Government decided that the public interest would be served by nationalizing the industry, merging all the 107 companies into four companies, depending on the sort of business transacted (Marine, Fire, Miscellaneous). These were the National Insurance Company Ltd., the Oriental Insurance Company Ltd., the New India Assurance Company Ltd., and the United India Insurance Company Ltd. located in Calcutta, New Delhi, Bombay and Madras respectively. The General Insurance Corporation (GIC) was set up in 1972 as a 'holding' company, having these four companies as its subsidiaries.

Some of the important milestones in the general insurance business in India are:1907:

The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.

1957: General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.

1968:The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.

1972:The General Insurance Business (Nationalization) Act,

1972: nationalize the general insurance business in India with effect from 1st January 1973. 107 insurers amalgamated and grouped into four companies viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd . GIC incorporated as a company.

DEFINITION OF INSURANCE

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Insurance has been defined to be that in, which a sum of money as a premium is paid by the insured in consideration of the insurer's bearings the risk of paying a large sum upon a given contingency. The insurance thus is a contract whereby:

- Certain sum, termed as premium, is charged in consideration,
- Against the said consideration, a large amount is guaranteed to be paid by the insurer who received the premium,
- The compensation will be made in certain definite sum, i.e., the loss or the policy amount whichever may be, and
- The payment is made only upon a contingency.
- **What is life insurance?**

Life Insurance is an agreement that guarantees payment of a stated amount of monetary benefits at the end of a specified term or on the death of the life insured.

- **Why do I need life insurance?**

Life Insurance provides for financial security in the event of death or on the inability to earn due to physical disabilities. Besides providing for financial security in the case of one's untimely death, it can be used to accumulate a kitty for your old age, systematically build assets, for funding your child's education and also for saving on taxes.

- **What is a Claim?**

A claim is the payment made by the insurer to the insured or claimant on the occurrence of the event specified in the contract, in return for the premiums paid for the insured.

- **What is IRDA?**

IRDA is Insurance Regulatory Development Authority, that has been set up to protect the interests of the policy holders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto.

Introduction to Insurance

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Insurance is nothing but a system of spreading the risk of one onto the shoulders of many. While it becomes somewhat impossible for a man to bear by himself 100% loss to his own property or interest arising out of an unforeseen contingency, insurance is a method or process which distributes the burden of the loss on a number of persons within the group formed for this particular purpose. Basic Human trait is to be averse to the idea of risk taking. Insurance, whether life or non-life, provides people with a reasonable degree of security and assurance that they will be protected in the event of a calamity or failure of any sort. Insurance may be described as a social device to reduce or eliminate risk of loss to life and property. Under the plan of insurance, a large number of people associate themselves by sharing risks attached to individuals. The risks, which can be insured against, include fire, the perils of sea, death and accidents and burglary. Any risk contingent upon these, may be insured against at a premium commensurate with the risk involved. Thus collective bearing of risk is insurance.

- **INSURANCE INDEMNIFIES ASSETS & INCOME**

Every Asset has a value and generates Income to its Owner. There is a normally expected Lifetime for the Asset during which time it is expected to perform. If the Asset gets lost earlier, being destroyed or made Non-functional through an Accident or other unfortunate event the Owner is Prejudiced. Insurance helps to reduce CONSEQUENCES of such Adverse Circumstances which are called Risks.

- **INSURANCE IS THE SCIENCE OF SPREADING OF THE RISK**

It is the system of spreading the losses of an Individual over a group of Individuals.

- **INSURANCE IS A METHOD OF SHARING OF FINANCIAL LOSSES**

Of a few from a common fund formed out of Contribution of the many who are equally exposed to the same loss. What is uncertainty for an Individual becomes a certainty for a Group. This is the basis of All Insurance Operations. Thus insurance convert uncertainties to certainty.

PRINCIPLES OF INSURANCE:

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1.A large number of homogeneous exposure units:

The vast majority of insurance policies are provided for individual members of very large classes. Automobile insurance, for example, covered about 175 million automobiles in the United States in 2004. The existence of a large number of homogeneous exposure units allows insurers to benefit from the so-called “law of large numbers” which in effect states that as the number of exposure units increases, the actual results are increasingly likely to become close to expected results. There are exceptions to this criterion. Lloyd’s of London is famous for insuring the life or health of actors, actresses and sports figures. Satellite Launch insurance covers events that are infrequent. Large commercial property policies may insure exceptional properties for which there are no ‘homogeneous’ exposure units. Despite failing on this criterion, many exposures like these are generally considered to be insurable.

2.Definite Loss:

The event that gives rise to the loss that is subject to the insured, at least in principle, take place at a known time, in a known place, and from a known cause. The classic example is death of an insured person on a life insurance policy. Fire, automobile accidents, and worker injuries may all easily meet this criterion. Other types of losses may only be definite in theory. Occupational disease, for instance, may involve prolonged exposure to injurious conditions where no specific time, place or cause is identifiable. Ideally, the time place and cause of a loss should be clear enough that a reasonable person, with sufficient information, could objectively verify all three elements.

3.Accidental Loss:

The event that constitutes the trigger of a claim should be fortuitous, or at least outside the control of the beneficiary of the insurance. The loss should be ‘pure,’ in the sense that it results from an event for which there is only the opportunity for cost. Events that contain speculative elements, such as ordinary business risks, are generally not considered insurable.

4.Large Loss:

The size of the loss must be meaningful from the perspective of the insured. Insurance premiums need to cover both the expected cost of losses , plus the cost of issuing and

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administering the policy, adjusting losses, and supplying the capital needed to reasonably assure that the insurer will be able to pay claims. For small losses these latter costs may be several times the size of the expected cost of losses. There is little point in paying such costs unless the protection offered has real value to a buyer.

5.Affordable Premium:

If the likelihood of an insured event is so high, or the cost of the event so large, that the resulting premium is large relative to the amount of protection offered, it is not likely that anyone will buy insurance, even if on offer. Further, as the accounting profession formally recognizes in financial accounting standards, the premium cannot be so large that there is not a reasonable chance of a significant loss to the insurer. If there is no such chance of loss, the transaction may have the form of insurance, but not the substance.

6.Calculable Loss:

There are two elements that must be at least estimable, if not formally calculable: the probability of loss, and the attendant cost. Probability of loss is generally an empirical exercise, while cost has more to do with the ability of a reasonable person in possession of a copy of the insurance policy and a proof of loss associated with a claim presented under that policy to make a reasonably definite and objective evaluation of the amount of the loss recoverable as a result of the claim.

7.Limited risk of catastrophically large losses:

The essential risk is often aggregation. If the same event can cause losses to numerous policyholders of the same insurer, the ability of that insurer to issue policies becomes constrained, not by factors surrounding the individual characteristics of a given policyholder, but by the factors surrounding the sum of all policyholders so exposed. Typically, insurers prefer to limit their exposure to a loss from a single event to some small portion of their capital base, on the order of 5 percent. Where the loss can be aggregated, or an individual policy could produce exceptionally large claims, the capital constraint will restrict an insurer's appetite for additional policyholders. The classic example is earthquake insurance, where the ability of an underwriter to issue a new policy depends on the number and size of the policies that it has already

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underwritten. Wind insurance in hurricane zones, particularly along coast lines, is another example of this phenomenon. In extreme cases, the aggregation can affect the entire industry, since the combined capital of insurers and reinsurers can be small compared to the needs of potential policyholders in areas exposed to aggregation risk. In commercial fire insurance it is possible to find single properties whose total exposed value is well in excess of any individual insurer's capital constraint. Such properties are generally shared among several insurers, or are insured by a single insurer who syndicates the risk into the reinsurance market.

Advantages of Insurance:

Insurance provides benefits to an individual, family, businessman as well as a society. The main advantages of insurance can be described as follows:

- **Provides economic protections.**

Insurance provides economic and financial protection to the insured against the unexpected losses in consideration of nominal amount called premium. It provides financial protection to the nominee in case of the pre-matured death of insured. It also covers the loss of properties due to theft, fire, accident and other natural calamities.

- **Shares risks**

People are exposed to various kinds of risks and uncertainties which may cause large losses. It is impossible to eliminate risks and uncertainties altogether but it can be reduced or shared. Insurance is a co-operative device, which helps to share the risks among the insured. Thus, the insurance company reduces the risk of the insured in exchange for small premium.

- **Maintains standard of living**

Insurance provides financial protection against an unexpected risk of losses due to which people can maintain their living standard. The insurance company provides a safeguard in terms of money to avoid the unfortunate financial crisis.

- **Encourages saving**

An insured person pays the amount of premium in time as stated in the agreement which

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encourages for developing a saving habit of persons. Hence, insurance is a means of encouraging regular saving as it helps to reduce unnecessary expenses.

- **Eliminates dependency**

Due to death or destruction of properties, the family suffers from unbearable and non-compensational table losses. The insurance protects against those unbearable losses. The life insurance policy gives full financial support to the dependent in case the death of the insured which helps to eliminate the dependency of people.

- **Grants loan**

An insured can get the facility of a loan from an insurance company or can take loan from other financial institutions through the security of insurance policy. Thus, this provision of loan helps a person can also meet the need of fund. Bank and financial institutions prefer the insured assets as collateral for providing a loan.

- **Create employment opportunities**

As insurance has become business in the modern day business world, hundreds of entrepreneurs and thousands of employees have been engaging in this line. Hence, by establishing and developing insurance companies, it has provided employment opportunities to thousands of people as per their qualification and caliber.

- **Promotes foreign trade**

The growth of the international trade of the country has been greatly helped by shifting of risk to insurance company. A ship sailing in the sea faces some miss-fortune. A fire breaks out and burns to ashes all the merchandise of a business man. But insurance is one of the devices by which these risks may be reduced or eliminated. So industrialists and exporter may devote their full attention toward the promotion of business which may increase the export activities

- **Helps to operate business smoothly**

A business gets financial compensation in case of loss or damage to the properties of the business through insurance. An insurance policy taken for the employees increases their

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motivation at work. Therefore, insurance plays a vital role to let the business run smoothly even in the situation of unfavorable events.

- **Help to reduce inflation**

Inflation Reduction The inflation means increase in price of goods or service. Inflation gives painful experienced to the citizen so it should be control. To control inflation, the volume of money need to be reduce. An insurance company takes the money from the people in the form of premium, which reduces the volume of money in the market. Hence, it helps to control the inflation in the country.

- **Help to develop economy**

Insurance companies collect premium through life or non life policies which are invested in various development areas like trade and industry. Such investment helps to promote trade and industry in the country. Ultimately, it helps for the economic development of the country.

Disadvantages of insurance:

- 1.It does not compensate all types of losses which caused biasness to insured by insurance company.
- 2.It takes more time to provide financial compensation because lengthy legal formalities.
- 3.Although insurance encourages savings, it does not provide the facilities that are provided by bank.
- 4.It intentionally tries to compensate as less as possible to the sufferer with the aim of maximizing profit rather than maximizing well-being of the insured.
- 5.It may lead to the crimes in the society as the beneficiaries of the policy may be tempted to commit crimes to receive the insured amount.
- 6.Sometimes, the total amount of premium might be higher than the policy amount receivable on maturity.

FEATURES OF INSURANCE INDUSTRY

Insurance Policy India provides the clients with the details required for the coverages in the policy, date of commencement of the policy and their adopting organizations. It plays a important role in the Indian insurance sector. The Insurance Policy India is regulated by certain acts like the Insurance Act (1938),the Life Insurance Corporation Act(1956), General Insurance Business Nationalization) Act(1972), Insurance Regulatory and Development Authority IRDA)Act(1999). The insurance policy determines the covers against risks, sometime opens investment options with insurance companies setting high returns and also informs about the tax benefits like the LIC in India. There are two types of insurance covers:

Life insurance- This sector deals with the risks and the accidents affecting the life of the customer. Alongside, this insurance policy also offers tax planning and investment returns. There are various types of life Insurance Policy India:

- a. Endowment Policy
- b. Whole Life Policy
- c. Term Life Policy
- d. Money-Back Policy
- e. Joint Life Policy
- f. Group Insurance Policy

General Insurance- This sector covers almost everything related to property, vehicle, cash, household goods, health and also one's liability towards others. The major segments covered under general Insurance Policy India are:

- Home Insurance
- Health Insurance
- c. Motor Insurance

d. Travel Insurance

Investment-Linked Insurance :

Introduction :

This is an introductory guide to help you understand how investment-linked insurance works. It gives you basic information so that you can make an informed decision when purchasing investment-linked insurance policy.

What is an investment-linked insurance plan?

- An investment-linked plan is a life insurance plan that combines investment and protection. The
- premiums that you pay provide you not only with life insurance cover but part of the premiums will also be invested in specific investment funds of your choice. As a policyholder, you can choose how to allocate your insurance premiums towards protection and investment.
- The insurance coverage provided would include death benefit, disability and critical illness.
- The investment fund is divided into units of equal value. The prices of these units are published daily in the newspapers for you to track the value of your investments.

Unique features of investment-linked plan :

- You are given the flexibility to choose your own level of protection and investment.
- You can vary the amount of your premium payments or coverage according to your changing financial circumstances.

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- You can choose from a wide variety of funds to invest in, depending on the level of risk that you are comfortable with.
- Investment in growth or equity-related funds may give higher returns than traditional life insurance plans over the long term. However, you have to bear in mind that higher returns come with greater risks.
- **Types of investment-linked insurance plans:**

Single-premium plan	Regular- premium plan
<ul style="list-style-type: none"> • A single lump-sum premium payment 	<ul style="list-style-type: none"> • Premium payments either monthly, quarterly, semi-annually or annually.
<ul style="list-style-type: none"> • Death or total permanent disability cover is around 125% of your premium paid. 	<ul style="list-style-type: none"> • The basic insurance coverage, in the event of death or total permanent disability, is usually a multiple of the annual premium.
<ul style="list-style-type: none"> • The benefit payment will be the sum assured or the value of the investment units at the time of claim, whichever is higher. 	<ul style="list-style-type: none"> • The benefit payment will be the total of sum assured plus the value of the investment units
<ul style="list-style-type: none"> • A large portion of the premium can be invested immediately to generate returns 	<ul style="list-style-type: none"> • A smaller portion of the premium is allocated for investment during the earlier years of policy due to higher initial charges

Understanding the risk :

- Investment-linked plans, like other types of investments, involve exposure to investment risk. Since an investment-linked plan is linked to the unit price of an investment fund (managed by the insurance company), the total value of the plan fluctuates with the movements in the unit price.

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- When the unit price falls, the value of your investment will also reduce and vice versa. You may realize a gain or loss when you sell your units. You may even get less than what you have invested.
- Past performance of the investment-linked fund's track record can only be a guide to its future performance which is not guaranteed.

Importance considerations in choosing the right plan :

Once you have decided on buying an investment-linked insurance plan, you have to consider factors such as the amount of investment, the choice of either single or regular-premium plan, types of funds, and the level of protection you need. Buying such a product is like having a personalized plan tailored to your special financial needs. It is important that you evaluate your options carefully to find the right plan with the right fund to suit your needs. There are a few things that you must consider when buying an investment-linked insurance plan;

- **Protection cover** -The premium that you pay usually provides insurance coverage for death and total permanent disability. With additional premium, you can also be covered for certain critical illnesses and other options.
- **Fees and charges**- There are various types of fees and charges which will reduce the value of investment.
- **Cash value accumulation** -Regular-premium investment-linked plans may not accumulate adequate cash value during the early policy years. This means that if the policy is terminated during the early period, you may not get back any investment value.
- **Right fund to invest**-You are given a choice of investing in various funds. Funds that are invested mainly in equities will involve higher risks than those invested in fixed income securities or bonds. For example, you may choose a growth fund that invests in equities, a more secure fund in bonds and other fixed interest investments, or a combination of the

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two. Some insurance companies offer Islamic Funds, which are invested in accordance with Shariah principles.

- **Fund switching** -Should you feel that you have made the wrong choice or you would like to change the profile of your investment portfolio, you are allowed to switch your units from one investment fund to another. Most companies allow one switch per year without any fee. For additional switches, a processing fee of up to RM100 may be charged.



Unit Linked Insurance Plan

A **Unit Linked Insurance Plan (ULIP)** is a product offered by insurance companies that, unlike a pure insurance policy, gives investors both insurance and investment under a single integrated plan. A unit linked insurance plan (ULIP) is an investment product that provides for insurance payout benefits. ULIP offerings are primarily concentrated in India. The investment vehicle requires a premium payment which is invested in investment products for capital appreciation. Investment in ULIPs is eligible for tax benefit up to a maximum of Rs 1.5 lacs under Section 80C of the Income Tax Act. ULIP investment offerings are primarily concentrated in India where they were first launched. HDFC Life is a leading provider of ULIP investments. The firm's plans offer varying provisions, terms and investment options. Other ULIP providers include Aegon Life, PNB MetLife, Kotak Life, ICICI, India First, SBI Life and IDBI Federal.

Comparative study on different insurance policy:

ULIP Plans					
Company	Min Premium	Entry Age	Partial Withdrawal	Surrender	Premium Paying Term
 HDFC Life HDFC SL Crest	30,000	14-55 Yrs	5 Yrs	5 Yrs	5 Yrs
 LifeLink Wealth SP Plan	40,000	0-60 Yrs	5 Yrs	5 Yrs	10-30 Yrs
 Kotak Secure Invest Insurance	50,000	0-60 Yrs	6 Yrs	5 Yrs	30 Yrs
 Future Protect Plan	20,000	7-60 Yrs	5 Yrs	5 Yrs	15-40 Yrs.
 Saral Maha Anand	15,000	18-55 Yrs	6 Yrs	5 Yrs	10-20 Yrs
 MetLife Met Smart Platinum	30,000 (Annual Mode)	7-70 Yrs	2 Yrs	5 Yrs	5 yrs/ 10yrs/ entire term of the policy

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 MAX Advantage Insurance Plan	25,000	8-60 Yrs	5 Yrs	5 Yrs	5-7 Yrs
 Select Insurance Plan	18,000	7-60 Yrs.	5 Yrs.	5 Yrs.	10-20 Yrs.
 Prospering Life	48,000	8-55 Yrs	5 Yrs	5 Yrs	16 or 20 Yrs
 AVIVA Life Bond Advantage	50,000	2-65 Yrs	5 Yrs	5 Yrs	Single
 SHIRAM Ujwa Life	30,000	7-65 Yrs	5 Yrs	5 Yrs	10 Yrs
 Smart Save Plan	12,000	5-60 Yrs	5 Yrs	5 Yrs	15-25 Yrs.
 Utkarsh Jeevan Bima	20,000	12-55 Yrs	3 Yrs	5 Yrs	8-20 Yrs

ROLE OF INSURANCE IN ECONOMIC DEVELOPMENT OF IN INDIA

1. Saving and Insurance

Saving involves refraining from present consumption. The investment can take place only when there are savings. The relationship between saving, investment and growth of GDP can be explained as:

$G = S / K$. Where G – Rate of GDP growth, S – Saving Ratio and K – Capital output ratio.

Insurance companies lead to economic development by mobilizing savings and investing them into productive activities. Indian insurance companies are able to **mobilize long-term savings** to support economic growth and also facilitate economic development by providing insurance cover to a large segment of our people as well as to business enterprise throughout India.

2. Capital Formation and Insurance

Capital formation maybe defined as **increase in capital stock** of the country consisting of plant, equipment, machinery, tools, building, means of transport, communication, etc. The process of capital formation envisages three essential steps. These are:

- a. **Real saving**: Mobilization of saving through financial and non-financial intermediaries to be placed at the disposal of investor.
- b. **The act of investment**: The contribution of insurance companies in the process of capital formation appears at all these stages. Insurance services act as a tool to mobilize saving, function as financial intermediary and at times also indulge in direct investment. Also govt. has made

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regulations under which every insurer carrying on business of life insurance shall invest 25% of funds in Govt. securities and not less than 15% in infrastructure and social sector.

The importance of Indian insurance industry is gauged by the fact that annual amount of investible funds of LIC and GIC and its subsidiaries amounted to over Rs. 20,000 crore and Rs. 10,000 crore are invested in nation building activities, housing and other infrastructural areas.

c. **Increased Employment**: Prior to the liberalization of insurance sector in India, the opportunities for employment were limited with the LIC of India as sole employer. While some of the professionals left the country looking for opportunities elsewhere, those who remained, worked within the confines and constraints of public sector monopoly. This has further constrained the opportunities for exposure to the development in rest of the world. Liberalization and the opening up of sector to private players has now created a vast opportunity for employment.

3. Obligation to Rural and Social Sector

In India, the insurance companies are required to fulfill their obligation towards rural and social sector. For this, Life insurers are required to have 5%, 7%, 10%, 12%, 15% of total policies in first five years respectively in rural sector. Likewise General Insurers are required to have 2% 3% and 5% thereafter of total gross premium income written in first five financial years respectively in rural sector.

4. Insurance as financial intermediary

Financial intermediaries perform the function of channelizing saving into domestic investment. They facilitate efficient allocation of capital resources, which in turn improve productivity and economic efficiency which result in reduced capital output ratio. The insurance companies perform extremely useful function in economy as financial intermediaries. These are as follows:

a. **Reduction in transaction cost**: Insurers help in reducing transaction cost in economy by collecting funds from policyholders and investing the same in different projects scattered over different regions. It is a specialized and time consuming job.

b. **Creating liability**: The policyholders, in case of loss, are not required to wait for a long period for the amount of claim. It improves their liquidity.

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c. **Facilitates Economies of scale in Investment**: Insurers are in the position of financing large projects, railways power projects, etc. These large projects create economies of scale, facilitate technological innovation and specialization and thus promote economic efficiency and productivity.

5. Promotes Trade and Commerce

The increase in GDP is positively correlated to growth of trade and commerce in economy. Whether it is production of goods and services, domestic or international trade or venture capital projects, insurance dominates everywhere. Even banks demand insurance cover of assets while granting loans for purchase of assets. Thus insurance covers, promotes specialization and flexibility in the economic system that play contributory role in healthy and smooth growth of trade and commerce.

6. Facilitates efficient capital allocation

Insurance provides cover to large number of firms, enterprises and businesses and also deploy their funds in number of investment projects. The vast pool of knowledge and expertise so gained enable them to distinguish between productive and high return projects. Therefore, they promote efficient and productive allocation of capital resources, which in turn lead to increased productivity and efficiency in the system.

7. Encouraging Financial Stability and Reducing Anxiety

Insurer promotes financial stability in economy by insuring the risks and losses of individuals, firm and organizations. Because of uninsured large losses, firm may not be able to compensate for it leading to its insolvency which may cause loss of employment, revenue to supplier & Govt., loss of products to customer, etc. Moreover, it relieves the tensions and anxiety of individuals by securing the loss of their lives and assets.

8. Reducing Burden on Govt. Exchequer

Insurance companies, particularly life insurers provide a variety of insurance products covering needs of children, women and aged etc under social security network and thereby reduce the burden on Govt. exchequer in providing these services. This Govt., saves expenditure on these items and amount can be utilized for more productive projects.

ROLE OF INSURANCE IN FINANCE.

OBJECTIVES

- To encourage the expansion of capital markets.
- To accelerate the intermediation competence in the insurance sector, and to release latest out new schemes and services.
- To contribute to all-inclusive sectoral reforms.
- To facilitate and improve the corporate administration and introduce sound commercial structure.
- To sustain health modifications and private health insurance.
- To enable the investors to take a close view of the fund performance over the years.
- To motivate the selling of insurance schemes.
- To monitor the insurance schemes transactions.
- To trigger long term strategic planning.
- To mobilize savings in the form of pensions.
- To know the products of ICICI prudential life insurance, HDFC Standard life insurance, Met Life insurance, etc.
- To make insurance a more effective means of mobilizing savings.
- To know consumer feedback on various types of insurance products.
- To increase insurance penetration in the country.
- To differentiate on basis of customer service. To retain and attract new customers to expand business.

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THE IMPORTANCE OF INSURANCE

Insurance benefits society by allowing individuals to share the risks faced by many people. But it also serves many other important economic and societal functions. Because insurance is available and affordable, banks can make loans with the assurance that the loan's collateral (property that can be taken as payment if a loan goes unpaid) is covered against damage. This increased availability of credit helps people buy homes and cars. Insurance also provides the capital that communities need to quickly rebuild and recover economically from natural disasters, such as tornadoes or hurricanes.

Insurance itself has become a significant economic force in most industrialized countries. Employers buy insurance to cover their employees against work-related injuries and health problems. Businesses also insure their property, including technology used in production, against damage and theft. Because it makes business operations safer, insurance encourages businesses to make economic transactions, which benefits the economies of countries. In addition, millions of people work for insurance companies and related businesses. In 1996 more than 2.4 million people worked in the insurance industry in the United States and Canada.

Insurance as an investment that offers a lot more in terms of returns, risk cover & as also that tax concessions & added bonuses.

Not all effects of insurance are positive ones. The possibility of earning insurance payments motivates some people to attempt to cause damage or losses. Without the possibility of collecting insurance benefits, for instance, no one would think of arson, the willful destruction of property by fire, as a potential source of money.

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TYPES OF INSURANCE

Insurance occupies an important place in the modern world because of the risk, which can be insured, in number and extent owing to the growing complexity of present day economic system. The different type of insurance have come about by practice within insurance companies, and by the influence of legislation controlling the transacting of insurance business, broadly, insurance may be classified into the following categories;

1.Classification from business point of view:

A)Life insurance, and

B)General insurance

2.Classification on the basis of nature of insurance

A)Life insurance

B)Fire insurance

C)Marine insurance

D)Social insurance, and

E)Miscellaneous insurance

3.Classification from risk point of view

A)Personal insurance

B)Property insurance

C)Liability insurance

D)Fidelity general insurance

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THE INSURANCE INDUSTRY TODAY

Since the 1970s, the insurance business has grown dramatically and undergone tremendous changes. As a result of the deregulation of financial services businesses—including insurance, banking, and securities trading—the roles, products, and services of these formerly distinct businesses have become blurred. For instance, citizens in the U.S. state of California voted in 1988 to allow banks to sell insurance in that state. In Canada, banks may also soon be allowed to sell insurance. Advances in communications technology have also allowed traditionally distinct financial businesses to keep instantaneous track of developments in other businesses and compete for some of the same customers. Some insurance companies now offer deposit accounts and mortgages. In the United States, life insurance companies now sell more pension plans and other asset management services than they do conventional life insurance. Developments in computer technology that have given insurance providers the ability to quickly access and process information have allowed them to custom-design policies to fit the needs of individual customers. But the increasing complexity of policies has also made some aspects of buying and selling insurance more difficult. In addition, improvements in geological and meteorological technology have the potential to change the way property insurers calculate risks of damage. For example, as scientists improve their abilities to predict severe weather patterns, such as hurricanes, and geological disturbances, such as earthquakes, insurers may change how they provide protection against losses from such events.

- Insurance agents are the main intermediaries in the Indian insurance market, but with liberalization brokers will be an additional channel for selling insurance products
- Brokers are likely to play a major role in ensuring clients get insurance covers tailor made to suit their requirements at good terms
- Fast growing middle class of 300 million who can afford insurance
- Increasing financial strength of middle class with disposable income
- Narrowing gap between rural and urban populace in terms of access to information and services.
- More and more entrepreneurs in traditional and modern business areas.
- Increase in number of double income families leading to lifestyles and attitude changes
- Growth of rural market is at 4 times of urban markets

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- The potential of the Indian insurance market is huge with current life insurance penetration being only 1.9 of the GDP.
- Insurance market is set to touch 25 billion by 2010 in India. (It was only 7.2 billion in 98-99 survey. At that time India's rank in annual premium was 23rd for Life insurance and contribution in GDP was merely 1.4%). Presently it is still lower than developed economy but increased to 2.61% of GDP in 2002. So immense opportunity can't be ignoring

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INSURANCE SECTOR REFORMS

Having looked at the insurance sector, the efforts made by the government to make the industry more dynamic and customer friendly. To begin with, the Malhotra committee was set up with the objective of suggesting changes that would achieve the much required dynamism.

- **THE MALHOTRA COMMITTEE REPORT**

In 1993, Malhotra Committee, headed by former Finance Secretary and RBI Governor R. N. Malhotra, was formed to evaluate the Indian insurance industry and recommend its future direction. In 1994, the committee submitted the report and gave the following recommendations;

- **STRUCTURE**

Government stake in the insurance Companies to be brought down to 50%

Government should take over the holdings of GIC and its subsidiaries so that these subsidiaries can act as independent corporations. All the insurance companies should be given greater freedom to operate.

- **COMPETITION**

Private Companies with a minimum paid up capital of Rs.1bn should be allowed to enter the industry No Company should deal in both Life and General Insurance through a single entity Foreign companies may be allowed to enter the industry in collaboration with the domestic companies. Postal Life Insurance should be allowed to operate in the rural market. Only one State Level Life Insurance Company should be allowed to operate in each state.

- **REGULATORY**

The Insurance Act should be changed. An Insurance Regulatory body should be set up. Controller of Insurance (Currently a part from the Finance Ministry).

- **INVESTMENTS**

Mandatory Investments of LIC Life Fund in government securities to be reduced from 75% to 50%. GIC and its subsidiaries are not to hold more than 5% in any company (There current holdings to be brought down to this level over a period of time).

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- **CUSTOMER SERVICE**

LIC should pay interest on delays in payments beyond 30 days. Insurance companies must be encouraged to set up unit linked pension plans. Computerization of operations and updating of technology to be carried out in the insurance industry. Overall, the committee strongly felt that in order to improve the customer services and increase the coverage of the insurance industry should be opened up to competition. But at the same time, the committee felt the need to exercise caution as any failure on the part of new players could ruin the public confidence in the industry.

MAJOR PLAYERS IN INSURANCE INDUSTRY IN INDIA

LIFE INSURANCE CORPORATION (LIC)

Life Insurance Corporation of India (LIC) was established on 1 September 1956 to spread the message of life insurance in the country and mobilise people's savings for nation-building activities. LIC with its central office in Mumbai and seven zonal offices at Mumbai, Calcutta, Delhi, Chennai, Hyderabad, Kanpur and Bhopal, operates through 100 divisional offices in important cities and 2,048 branch offices. LIC has 5.59 lakh active agents spread over the country. The Corporation also transacts business abroad and has offices in Fiji, Mauritius and United Kingdom. LIC is associated with joint ventures abroad in the field of insurance, namely, Ken-India Assurance Company Limited, Nairobi; United Oriental Assurance Company Limited, Kuala Lumpur; and Life Insurance Corporation (International), E.C. Bahrain. It has also entered into an agreement with the Sun Life (UK) for marketing unit linked life insurance and pension policies in U.K. In 1995-96, LIC had a total income from premium and investments of \$ 5 Billion while GIC recorded a net premium of \$ 1.3 Billion. During the last 15 years, LIC's income grew at a healthy average of 10 per cent as against the industry's 6.7 per cent growth in the rest of Asia (3.4 per cent in Europe, 1.4 per cent in the US). LIC has even provided insurance cover to five million people living below the poverty line, with 50 per cent subsidy in the premium rates. LIC's claims settlement ratio at 95 per cent and GIC's at 74 per cent are higher than that of global average of 40 per cent. Compounded annual growth rate for Life insurance business has been 19.22 per cent per annum.

GENERAL INSURANCE CORPORATION OF INDIA (GIC)

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The general insurance industry in India was nationalized and a government company known as General Insurance Corporation of India (GIC) was formed by the Central Government in November 1972. With effect from 1 January 1973 the erstwhile 107 Indian and foreign insurers which were operating in the country prior to nationalization, were grouped into four operating companies, namely, (i) National Insurance Company Limited; (ii) New India Assurance Company Limited; (iii) Oriental Insurance Company Limited; and (iv) United India Insurance Company Limited. (However, with effect from Dec'2000, these subsidiaries have been de-linked from the parent company and made as independent insurance companies). All the above four subsidiaries of GIC operate all over the country competing with one another and underwriting various classes of general insurance business except for aviation insurance of national airlines and crop insurance which is handled by the GIC. Besides the domestic market, the industry is presently operating in 17 countries directly through branches or agencies and in 14 countries through subsidiary and associate companies.

IN ADDITION TO ABOVE STATE INSURERS THE FOLLOWING HAVE BEEN PERMITTED TO ENTER INTO INSURANCE BUSINESS: -

The introduction of private players in the industry has added to the colors in the dull industry. The initiatives taken by the private players are very competitive and have given immense competition to the on time monopoly of the market LIC. Since the advent of the private players in the market the industry has seen new and innovative steps taken by the players in this sector. The new players have improved the service quality of the insurance. As a result LIC down the years have seen the declining phase in its career. The market share was distributed among the private players. Though LIC still holds the 75% of the insurance sector but the upcoming natures of these private players are enough to give more competition to LIC in the near future. LIC market share has decreased from 95% (2002-03) to 82 % (2004-05).

1.HDFC Standard Life Insurance Company Ltd.

HDFC Standard Life Insurance Company Ltd is one of India's leading private life insurance companies, which offers a range of individual and group insurance solutions. It is a joint venture between Housing Development Finance Corporation Limited (HDFC Ltd.), India's

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leading housing finance institution and The Standard Life Assurance Company, a leading provider of financial services from the United Kingdom. Their cumulative premium income, including the first year premiums and renewal premiums is Rs. 672.3 for the financial year, Apr-Nov 2005. They have managed to cover over 11, 00,000 individuals out of which over 3, 40,000 live have been covered through our group business tie-ups.

2. MAX NEW YORK LIFE INSURANCE CO. LTD.

Max New York Life Insurance Company Limited is a joint venture that brings together two large forces- Max India Limited, a multi-business corporate, together with New York Life International, a global expert in life insurance. With their various Products and Riders, there are more than 400 product combinations to choose from. They have a national presence with a network of 57 offices in 37 cities across India.

3. ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD.

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse and Prudential plc, a leading international financial services group headquartered in the United Kingdom. ICICI Prudential was amongst the first private sector insurance companies to begin operations in December 2000 after receiving approval from Insurance Regulatory Development Authority (IRDA). The company has a network of about 56,000 advisors; as well as 7 bancassurance and 150 corporate agent tie-ups.

4. OM KOTAK MAHINDRA LIFE INSURANCE CO. LTD.

Kotak Mahindra Old Mutual Life Insurance Ltd. is a joint venture between Kotak Mahindra Bank Ltd.(KMBL), and Old Mutual plc.

5. BIRLA SUN LIFE INSURANCE COMPANY LTD.

Birla Sun Life Insurance Company is a joint venture between Aditya Birla Group and Sun Life financial Services of Canada.

6. TATA AIG GENERAL INSURANCE COMPANY LTD.

Tata AIG General Insurance Company Ltd. is a joint venture company, formed from the Tata Group and American International Group, Inc. (AIG). Tata AIG combines the strength and integrity of the Tata Group with AIG's international expertise and financial strength. The Tata Group holds 74 per cent stake in the two insurance ventures while AIG holds the balance 26 per cent stake. Tata AIG General Insurance Company, which started its operations in India on January 22, 2001, offers the complete range of insurance for automobile, home, personal accident, travel, energy, marine, property and casualty, as well as several specialized financial lines.

7. ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

ICICI Lombard General Insurance Company Limited is a joint venture between ICICI Bank Limited and the US-based \$ 26 billion Fairfax Financial Holdings Limited. ICICI Bank is India's second largest bank; while Fairfax Financial Holdings is a diversified financial corporate engaged in general insurance, reinsurance, insurance claims management and investment management. Lombard Canada Ltd, a group company of Fairfax Financial Holdings Limited, is one of Canada's oldest property and casualty insurers. ICICI Lombard General Insurance Company received regulatory approvals to commence general insurance business in August 2001.

7. BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED

Bajaj Allianz General Insurance Company Limited is a joint venture between Bajaj Auto Limited and Allianz AG of Germany. Both enjoy a reputation of expertise, stability and strength. Bajaj Allianz General Insurance received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration (R3) on May 2nd, 2001 to conduct General Insurance business (including Health Insurance business) in India. The Company has an authorized and paid up capital of Rs 110 crores. Bajaj Auto holds 74% and the remaining 26% is held by Allianz, AG, and Germany.

8. ROYAL SUDRAM ALLIANCE INSURANCE COMPANY LIMITED

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This joint venture bringing together Royal & Sun Alliance Insurance and Sundaram Finance Limited started its operations from March 2001. The company is Head Quartered at Chennai, and has two Regional Offices, one at Mumbai and another one at New Delhi.

MARKET SHARE OF TOP 10 INSURANCE COMPANIES:

- LIC (Life Insurance Corporation of India) still remains the largest life insurance company accounting for 64% market share. Its share, however, has dropped from 74% a year before, mainly owing to entry of private players with innovative products and better sales force.

- ICICI Prudential Life Insurance Co Ltd is the biggest private life insurance company in India. It experienced growth of 58% in new business premium, accounting for increase in market share to 8.93% in 2007-08 from 6.97% in 2006-07.

- Bajaj Allianz Life Insurance Co Ltd has reported a growth of 52% and its market share went up to 6.98% in 2007-08 from 5.66% in 2006-07. The company ranked second (after LIC) in number of policies sold in 2007-08, with total market share of 7.36%.

- SBI Life Insurance Co Ltd in terms of new number of policies sold, the company ranked 6th in 2007-08. New premium collection for the company was Rs 4,792.66 crore in 2007-08, an increase of 87% over last year

- Reliance Life Insurance Co Ltd Total collected was Rs 2,792.76 crore and its market share went up to 2.96% from 1.23% a year back. It now ranks 5th in new business premium and 4th in number of new policies sold in 2007-08.

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- HDFC Standard Life Insurance Co Ltd with an income of Rs 2,680 crore in FY 2007-08, registering a year-on-year growth of 64%. Its market share is 2.88% and it ranks 6 th among the insurance companies and 5th amongst the private players.
- Birla Sun Life Insurance Co Ltd market share of the company increased from 1.22% to 2.11% in 2007-08. The company moved to the 7th position in 2007-08 from 8th a year before, pushing down Max New York Life insurance company.
- Max New York Life Insurance Co Ltd has reported growth of 73% in 2007-08. Total new business generated was Rs 641.83 crore as against Rs 387.51 crore. The company was pushed down to the 8th position from 7th in 2007-08.
- Kotak Mahindra Old Mutual Life Insurance Ltd the fiscal 2007-08, the company reported growth of 80%, moving from the 11th position to 9th. It captured a market share of 1.19% in 2007-08. Last year the company doubled its branch network to 150 from 74.
- Aviva Life Insurance Company India Ltd ranking dropped to 10th in 2007-08 from 9th last year. It has presence in more than 3,000 locations across India via 221 branches and close to 40 bancassurance partnerships. Aviva Life Insurance plans to increase its capital base by Rs 344 crore. With the fresh investment, total paid-up capital of the insurer would go up to Rs 1,348.8 crore.

THE CONSUMER IS EVOLVING AND SO ARE HIS NEEDS:

The way consumers look at insurance products today is completely different from how they looked at them a few years ago. Insurance products are no longer about just covering risks and lives. Since the 1980s insurance in many markets has increasingly become a wealth-management product. Consumers are seeking variety and customizability in their investment portfolios. The demographics are also in favor of insurance companies. The average lifespan is increasing and so are standards of living. This is creating demand for products that not only offer protection but also double up as investments. Insurance companies have an opportunity to bring innovation into

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their product mix. They can gain a competitive advantage by quickly launching innovative products that are aligned with evolving consumer needs. To do this, insurance companies must be able to understand consumer needs better and have agile systems that let them launch products quickly. To capitalize on these opportunities, however, insurance companies must get closer to the customer by expanding their distribution network. They have to incorporate new and alternative channels, arm the sales forces with effective sales tools and position themselves as preferred partners with their channels. In most markets, except Asia, insurance carriers generate more than 80% of their business through alternative distribution channels such as bancassurance, broker-dealers, wire houses and IFAs. The key challenge for insurers is to attract and retain these distribution channels by:

- Making it easy for channels to do business with them
- Providing good and quick underwriting support
- Delivering differentiated service to top performers.
- Providing proactive service
- Launching incentive plans and contests
- Managing commissions in a more efficient manner in a marketplace where products are increasingly becoming commoditized, the big differentiator that insurers can offer their channels is ease of doing business.

Insurance companies can position themselves as preferred providers by delivering on key areas such as:

- New business and underwriting support
- Marketing and sales support
- Underwriting speed
- Client services
- Commission rate -at how insurance companies can streamline their distribution networks, address the business and technological challenges and capitalize on the opportunities

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- **VARIOUS TYPES OF INSURANCE PLANS:**

Protection Plans

You can protect your family against the loss of your income or the burden of a loan in the event of your information demise, disability or sickness. These plans offer valuable peace of mind at a small price. Protection plan includes:

- Term Assurance Plan
- Loan Cover Term Assurance Plan

Investment Plans

Single Premium Whole Life Plan is well suited to meet your long term investment needs. They provide you with attractive long term returns through regular bonuses. Investment includes:

- Single Premium Whole Of Life Plan

Pension Plans

Pension Plans help you secure your financial independence even after Retirement. Pension range includes:

- Unit Linked Pension
- Unit Linked Pension Plus

Savings Plans:

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Savings Plans offer you flexible options for your future needs such as buying a dream home or fulfilling your children's immediate and future need.

Savings range include:

- Endowment Assurance Plan
- Unit Linked Endowment
- Unit Linked Endowment Plus
- Unit Linked Endowment Plus II
- Money Back Plan
- Unit Linked Young Star

- **NEED FOR THE STUDY**

- The deeper the understanding of consumer's needs and perception, the earlier the product is introduced ahead of competitors, the expected contribution margin will be greater .Hence the study is very important
- Consumer markets and consumer buying behavior can be understood before sound product and marketing plans are developed
- This study will help companies to customize the service and product, according to the consumer's need.
- This study will also help the companies to understand the experience and expectations of the existing customers.
- Apart from creating, manufacturing and distribution capabilities for life insurance products, an in depth study of the consumers, their preferences and demand for their product is very necessary for setting up an efficient marketing network.

REVIEW OF LITERATURE.

REVIEW OF LITERATURE

The literature review section critically examine the recent or historically significant studies, company data or industry reports that acts as a basis for proposed studies to begin with the research discussion of the related literature and relevant secondary data from a comprehensive prospective, moving to more specific studies, that are associate with research problem. Basically the literature should be applied to the study, than there searcher proposes. The literature may also explain the needs for the proposed work to appraise the short comings and informational gaps in secondary data sources. To carry the research work the researcher has gone through a few reports, books, journals and websites.

Khan, M.K. (1978),¹ attempts to know the opportunities and prospects in the career of a life insurance sector. He explains about what a good career is and how a good career should be for selling of life insurance products. There is no age barrier and it requires no previous occupational experience but one must be a professional and capable of creating opportunities in building personality. The relationship of life Insurance agent with clients is not temporary and the service rendered has no substitutes. He also observes that life insurance agent remains, in a sense, permanent server to the clients.

Ramesh Jain (1980),² conducts a case study at Sagar branch, Calcutta, of Life Insurance Company view the spread of life insurance in a particular area and to channelize the mobilized saving for nation building activities. Analyzing the processing of procurement of insurance business and administration of Life Insurance Company in branch level, the study also brings out the growth of total new business and about 30% of Life Insurance Companies individual assurance business originated from the rural sector - it adds to the privilege of Life Insurance Company to contribute their investments to many of the vital projects and schemes under 20 point programmes. The findings of the study were to establish servicing center to have continuous interaction with the policyholders and the sagar branch has still greater potentialities of expansion in rural area.

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Mishra, M.N. (1987),³ made a study to appraise the strategies of Life Insurance Company. While reviewing the strategies, the author felt that before 1960 Life Insurance Company did not give much attention to the objective of customer satisfaction, but from 1980 onwards the corporation has taken several remedial measures to provide better customer service and improve the customer satisfaction.

The Insurance Institute of India prepared a Project Report on “Marketing of Life Insurance”, (1987),⁴. This project was undertaken to examine the following aspects: Extent of life insurance coverage, awareness, attitudes and beliefs of people on life insurance, perceptions, sense of identification of employees with Life Insurance Company. He concluded that LIC is a better avenue of investment than bank deposits. LIC products are sold easily among the consumers on account of its reliability.

Rao, B.S.R. and Appa Rao Machiraju (1988),⁵ in their article entitled “Life Insurance and Emerging Trends in Financial Services Market”, contends that the agents of life insurance should improve their services to the level of financial experts. The authors felt that the change in the economic scenario would help the corporation in better services field.

Shekar Chandra (1998),⁶ in his article “Future strategies for Life insurance” discussed various issues relating to life Insurance. He has given a detailed note about new kinds of products and intimacy with the constant technology adoption for survival as well as for consistent growth.

Norgaard and Schick(1970),⁷ determined how profitable property and liability insurance companies had been during the period 1953-67.the technique used is based on a risk return trend analysis. For this purpose, four random samples and one selected sample of insurance companies are compared with 622 major industrial corporations. It was found that insurance companies

earned profits at par with those earned by the major industrial corporations. Among insurance companies, automobile underwriters performed considerably better than multiple line of fire and

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allied line underwriters. The data indicated that within the insurance industry, there is an economy of scale in degree of specialization and size.

Rao (1998),⁸ In his paper, examined the efficiency of the LIC, in physical and financial terms. Insurance, being essentially a service industry, a distinct set of criteria (both, physical and financial) had been developed to evaluate its overall efficiency. There has been a significant improvement in the physical performance of the LIC. But the financial performance in terms of profitability had not been up to the expected level. However, given the constraints of statutory regulations and government control, coupled with a highly cost prone rural business, the financial performance may be considered as satisfactory, although there is a considerable scope for improvement. The LIC should vigorously try to improve its operational efficiency to benefit the policyholders and to compete in a liberalized environment.

Rao (2007),⁹ in his article said that the credit for the enlargement of the insurance market penetration and density should legitimately go to the private sector and rightful regulation. The increased economic activity coupled with recent reforms in general insurance market would certainly help to expand the market in the years to come. The opening up has augured well for the consumers, who now have access to wide range of new products particularly unit linked products that have attracted the attention of the insured.

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Ashis Deb Roy (1987)¹² in his article entitled “We Care for our Customers” has examined the nature and importance of better customer services to policyholders and has emphasized the need for quality in service. He has given a detailed note on the various steps to be taken by Life Insurance Company to improve the customer service such as training programmes conducted by Company to its agents and employees, opening new branches and introduction of computers in insurance branch offices

Rudra Sibaba et al. (2002)¹³ in their study entitled, “Perception and Attitude of Women Towards Life Insurance Policies”, discover that intensive advertisement on new product features, enhanced customer relationship, convenience in payment of premium and timely response of agents to customer need increases the policyholder satisfaction.

Kundu (2003)¹⁴ in his article discusses the various issues in the insurance industry after the entry of new players. India has a low insurance penetration of 1.95 percent. The saving rate in India is 25 percent but only less than five percent is spent on insurance. The market is witnessing a wide array of products from new players. The profile of the consumer is also changing. People are looking for integrated financial solutions that can offer stability of return along with total protection

Rajendran and Natarajan (2009)¹⁵ in their study made an attempt to compare the overall performance of Life Insurance Corporation of India between pre and post LPG era and also examined the current status, volume of competitions and challenges faced by the LIC of India. The study concludes that the business of LIC in India and outside India is showing an increasing trend and forecasts that the business of LIC will touch Rs. 714014.354 crores in 2012.

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David Dror (2007)¹⁶ in his article takes a deep look at the Indian micro insurance scenario and observes that there is a vast potential in the area of micro health insurance in India. He points out that the Indian health insurance is in the vicious circle of poor products, low demand, low willingness to pay, lowering of premiums and further worsening of insurance product or service.

Narayanan H. (2006)¹⁷ analyzed the old and new realities in the Indian insurance sector, the post globalization trend with regard to the total number of insurance companies, equity of life insurance companies, share of private sector and public sector and traced the growth of life insurance business in India.

Alok Mittal and Akash Kumar (2006)¹⁸ in their study made an attempt to identify and explore the factors which the customers seek before selecting the insurance products offered through various life insurance companies. The major factors identified are product attributes, customer delight, product flexibility, risk coverage, grace period, professional advisor and maturity period. All these factors are rated differently. The most important factor is product attributes and it refers to the product features that the customers take into consideration before selecting an insurance product. The factor that was ranked last was maturity period.

Krishnaswamy (2009)¹⁹ presents a detailed description about insurance intermediaries, IRDA regulations, insurance products, life insurance claims, bancassurance and insurance marketing and financial planning.

Pa Keerthi (2009)²⁰ made an attempt to compare the perception level of services offered by LIC and ICICI Prudential. The study revealed that all the policyholders have certain level of expectations from the services that are to be delivered by an insurance company. Their expectation level varies irrespective of the demographic profile (such as the gender, age, marital status, occupation, education) but they look forward to excellent delivery of services. The study gave an insight into the actual experience of the services provided by the policyholders of

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both LIC and ICICI Prudential. The study revealed that both LIC and ICICI Prudential do not show any difference in the delivery of services in case of two factors, namely, gender and income of policyholders.

Rao (2007),²¹ in his article said that the credit for the enlargement of the insurance market penetration and density should legitimately go to the private sector and rightful regulation. The increased economic activity coupled with recent reforms in general insurance market would certainly help to expand the market in the years to come. The opening up has augured well for the consumers, who now have access to wide range of new products particularly unit linked products that have attracted the attention of the insured.

Ramana (2007),²² in his article, observed that in the light of duties and obligations cast on the regulator in respect of protection of policyholders "interest, growth and development of insurance business in India. What has been done and achieved till now is only a sound beginning. Much remains to be done to become true to the ideas with which the regulatory body has been conceived and constituted, particularly in the context of economic reforms initiated in our country. With increasing complexity and novelty of business opportunities thrown open to more and more players in the insurance market, the regulatory body too needs to gear up its administrative and regulatory machinery to have in place a more structured, systematic and effective approach to successfully find solutions to more and more challenges and issues in the days to come, as the market is destined to experience extreme aggressive stances both from the existing players and also the new entrants queuing up and knocking the doors of IRDA for the green signal and operational permit.

Mathur (2003)²³ has the opinion that joint efforts need to be made by all insurance operators to extend coverage to millions of insurable people who need insurance and points out the need for promoting different distribution channels for expanding rural insurance market. LIC has contributed immensely to the process of economic development through its multi dimensional

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activities and services over twelve crore policies which is a record for any life insurance company in the world.

Harold D. Skipper (2005)²⁴ addresses the major issues and concerns relating to the liberalization of the insurance markets from several perspectives. He sets out the role and importance of government policy in insurance and points out that the government intervention in the insurance market is essential but should be carefully targeted to minimize undue interference. He also discusses the role of foreign insurers with particular emphasis on the concerns that have historically been expressed about their roles in national insurance markets of emerging economies and points out that such insurers should be expected to play an important role in market evolution and development. He also presents a set of principles around which governments should craft their regulation of insurance and suggests that for having a competitive and solvent insurance market, insurance regulation should have the following traits namely,

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

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

Gupta and Chuganee (2001)²⁵ in their article specify the major steps to be taken by the LIC in order to compete with the new players. The opening up of the insurance sector has challenged the monopoly of the LIC and in order to withstand competition LIC has to take steps in the areas of products, services and information technology. The excess workforce in the LIC should be utilized in raising business volumes through skill upgradation

P.S Palande, R.S. Shah and M.L. Lunawat (2003)²⁶ identify the key transformations that are going to exert a tremendous influence on the insurance industry. They point out that non-life

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insurance is a barometer of industrial growth and life insurance is a barometer of the saving habit of the people. At present there is a wide variety of products in both life and non-life sectors. The LIC's range includes around 60 products and general insurance companies have a range of 150 products. They envisaged that the liberalization scene would be marked by the following developments..

1. The character of the industry will change in the wake of transition from a controlled to a competition driven market.
2. There will be new players. The foreign insurers will enter through the joint venture route.
3. The range of products and services offered will widen.
4. The industry will be closely regulated.
5. The public sector units will seriously have to set about preparing themselves to face competition.

Sen (2006) ²⁷ analysed the Indian life insurance industry after the privatization of the insurance market. The entry of private firms will raise both price competition and service competition. The study concludes that there is a hint of movement towards a more competitive regime but there is a good level of competition among the private companies to capture market share.

S. Krishnamurthy (2005) ²⁸ points out that the life insurance industry has shown extremely satisfactory results in terms of premium income and new policies sold but a huge potential still remains unexploited. Experience suggests that consumers still favour insurance as a saving tool. There is a need to change the perception of Indian consumers towards insurance and it is the responsibility of the distribution channel to advise and educate consumers.

Geetanjali Mehlwal (2006) ²⁹ in her article describes the insurance market as it exists today, its growth potential and the incentive to private insurers from world over. The study suggests that after liberalization of the insurance industry in March 2000, there has been consistent growth and the current potential premium income of the country is estimated at \$80 billion. India is seen as the sixth largest market in the world. In India 80 percent of the population remains without life insurance and only 2.5 percent of the country's insurable population is currently insured. Though

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LIC has been in the country for a long time, it did not tap much of the rural market. It mainly concentrated on endowment and money back policies. The private insurance has made good progress despite the existence of public sector players. As a result there is a decline in the new premium business of LIC. Between April 2004 and February 2005, LIC's first year premium dropped by 9.3 percent i.e. 77.87 percent from a market share of 87.22 percent in the preceding year. The study points out that the insurance business is growing at the rate of 15-20 percent annually. Insurance penetration has increased from 2.32 percent in 2000 to 2.88 percent in 2003. Likewise insurance density has increased from Rs. 435.897 in 2000 to Rs. 722.092 in 2003. There has been an increase of 83 percent in the premium collection during the three years following the enactment of the IRDA Act. The premium collected by insurers, both life and non-life is estimated to be about Rs. 25,343 billion in the year 2004-2005. The average size of life insurance cover before privatization which was around Rs. 50,000/- has now been risen to Rs. 80,000/-. Geetanjali Mehlwal also mentions about insurance distribution and intermediaries. Insurance companies are making new investments in information technology. Today there are alternate channels like bancassurance, brokers, corporate agents and direct marketing through internet.

Prakash Rao B.K.S. and Bh.Venkateswara Rao (2005)³⁰ have made an attempt to examine the opportunities for insurers in the rural market. They point out that the new companies entered into insurance business after liberalization focused their attention mainly in urban areas.

The Planning Wing of the LIC Divisional Office, Thanjavur (1987)³¹ has conducted a sample survey on "Customer Satisfaction". The objectives of the study found the level of consumer satisfaction regarding the services, particularly on the aspects such as timely dispatch of discharge forms, reminders, the cooperation given by agents or development officers, courtesy and sympathy of Company officials, receipt of the policy amount within the due date etc. The results of the study revealed the following points. They are:

- Discharge forms are received before the due date by seventy nine per cent of the policyholders.
- Eleven per cent of the policyholders approached the agent or development officer for help in the submission of the requirement and they are happy with

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the services rendered by them.

Twenty one per cent of the policyholders submitted the requirements after receiving a reminder from the branch office.

Six per cent of the policyholders approached the branch office for discharge forms.

Ninety per cent of the policyholders were satisfied with the prompt service rendered by the branch office.

Some policyholders stated that the corporation should insist the agents and development officers render all possible help to their clients at the time of claim and survival benefits settlement.

The overall conclusion from the above study were:

There is an imperative need for keeping up the tempo of maturity claims settlement operations at the present level.

It is desirable to verify the policy ledgers every fortnight for omissions in the computer list so that the delays can be reduced and all the claims can be settled before the due date.

A few policyholders, who expressed their grievances at the delay, could have been satisfied, if some courteous and prompt attention had been paid to them when they came to office.

Krirubashni, B. (1991)³² in her study attempts to know the level of awareness, preference and influencing factor pertaining to policy holdings and to test the relationship between the influencing factors and policy holdings. The study reveals that the majority of the respondents aware of the endowment assurance policy and considered to rank it as number one. The study also revealed that there was a significant relationship between personal factors and policy holdings.

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Shesha Ayyar, V. (1986)³³ in his article entitled “Product Development” has discussed various issues connected with developing new policies such as the importance of developing new schemes and various problems involved in the development of new schemes in Company. He suggested the need for including ancillary benefits such as accident benefits, disablement and hospitalization benefits.

Raghunadhan, R. (1988)³⁴ in his article “Population - Insurable and Insured” made an attempt to analyze the insurance coverage of the insurable population and concluded that more self employed and agricultural labourers are to be tapped. The author gave a suggestion to improve and introduce new schemes to satisfy the groups.

Modawat, S.L. (1997)³⁵ studies the change that had taken place between two decades in life insurance with particular reference to policyholders’ wealth and losses. The twin objective at the time of inception was to provide protection to all the section of society and to make available the investment in priority sectors. The study revealed no spectacular increase in business from rural areas but all efforts were made to exploit the vast and untapped potential from rural business. Life fund registered an increase at 12.83% in the year 1975-76. 17.7% the net lapse ratio was due to the misguidance of agents and development officers but targets were fixed realistically to bring down it.

Ajit Ranode and Rajeev Abuja (1999)³⁶ present an overview of the operation of Life Insurance Company in India and identify the strategic issues in liberalization and the entry of private players in insurance. The author brings out the need of private players, enhances efficiency in operation, achieving a greater density and penetration of life Insurance, mobilize long term savings for infrastructure and to bring freedom in investment in order to survive and adapt to the liberalized scenario.

Lajput Ray Chandhani (1999)³⁷ attempts to study the monetary value of keyman’s life, maximum Sum Assured and other requirements. Though introduced five years back in India, it is yet to gain prominence in the field of life insurance. He viewed that key man insurance holds good to mitigate the losses that might materiality affect the organizations profit, reduce sales, increase cost, restrict credit etc and that might be caused by key employees whose skill and knowledge is more valuable to the organization and remains almost indispensable.

RESEARCH METHODOLOGY

RESEARCH METHODOLOGY

- **SELECTION OF PROBLEM**

The Project I have taken up is **“ROLE OF INSURANCE IN FINANCE”**

The reason why I took up this subject is because today ,insurance industry is among the fastest growing sector and it provides wonderful business marketing, where by people can use their free time for the purpose of not only earning money and rewards but also build meaningful relationships. Through this project work, I expect to come with meaningful analysis on awareness of public on the topic INSURANCE. In today’s corporate and competitive world, Insurance sector has the maximum growth and potential as compared to the other sectors. Insurance has the maximum growth rate of 70-80% while as FMCG sector has maximum 12-15% of growth rate. This growth potential attracts me to enter in this sector and make this finance project report on Insurance ,which has given me the opportunity to work and get experience in highly competitive and enhancing sector.

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- **STATEMENT OF THE PROBLEM**

This Study will help us to understand the consumer's perception about life insurance companies. This study will help the companies to understand, how a consumer selects, organizes and interprets the Quality of service and product offered by life insurance companies.

- **SCOPE OF THE STUDY**

The study will be able to reveal the preferences, needs, perception of the customers regarding the life insurance products, It also help the insurance companies to know whether the existing products are really satisfying the customer's needs .

OBJECTIVE OF STUDY

- To know the marketing strategy in Insurance .
- To know the public interest towards the insurance.
- To know the brand awareness towards customers.
- To find out which parameter is motivating insurance advisers to join insurance field.
- To make suggestions and recommendations to improve upon the working of the company.
- Ascertain the profile and characteristics of potential buyers.
- To have an insight into the attitudes and behaviors of customers.
- To find out the differences among perceived service and expected service.

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- To access the degree of satisfaction of the consumers with their current brand of Insurance products.

- **RESEARCH DESIGN**

A research design is a basic plan, which guides the researcher in the collection and analysis of data required for practicing the research. Infact the research design is the conceptual structure where the research is conducted. It constitutes the 'Blue Print' for the collection, measurement and analysis of the data. The study is carried out to understand the Consumer Perception about their investment insurance. For this study the researcher used exploratory research design. This research covers 50 consumers, belonging to various age groups.

- **SAMPLE DESIGN:**

The process of drawing a sample from a large population is called sampling. Population refers to the total of items about which information is defined. Well-selected samples may reflect fairly and accurately the characteristics of the population.

- **SAMPLING UNIT:**

The sample unit of this survey was the customers having insurance policies.

- **SAMPLE SIZE:**

The sample size was 50 customers of different life insurance companies.

- **SAMPLING TECHNIQUE ADOPTED:**

Convenient sampling

- **SOURCES OF DATA**

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After identifying and defining the research problem and determining specific information required to solve the problem the researcher will look for the type and sources of data which may yield the desired results, while deciding about the method of data collection to be used for the study, there are two types of data:

1)PRIMARY DATA

2)SECONDARY DATA

1)Primary Data:

Primary data are those, which are collected for the first time, taking a sample, representing a population. It is not a published data, it is problem specific data collected by researcher. A well-**structured questionnaire** is administered to the target respondents to collect primary data (Copy of questionnaire is attached in the appendix)For this project I used primary data . I adopted the survey method to collect the primary data Once the decision of collecting primary data is taken, one has to decide about mode of collection. I took help of a structured questionnaire to collect the information from the readers.

2)Secondary Data:

Secondary data means data that are already available i.e. they refer to the data which have been collected and analyzed by someone and can save both money and time of the researcher. The secondary data are collected from periodicals, magazines, journals and Internet. Secondary data may be available in the form of company records, trade publications, libraries etc. Secondary data sources are as follows:

- Company Reports ,
- Daily Newspaper,
- Standard Textbook,
- Various Websites.

DATA ANALYSIS

DATA ANALYSIS

INTRODUCTION TO ANALYSIS:

In order to extract meaningful information from the data them. The analysis can be conducted by using simple statistical tools like percentages, averages and measures of dispersion. Alternatively

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the collected data may be analyzed, the data analysis is carried out. The data are first edited, coded and tabulated for analyzing by using diagrams, graphs, charts, pictures etc. Data analysis is the process of planning the data in an ordered form, combining them with the existing information and extracting from them.

Interpretation is the process of drawing conclusions from the gathered data in the study. In this research the researcher has analyzed the data using percentages and graphs.

DATA ANALYSIS TOOLS USED:

In this research the data analysis tools used are percentages and graphs. The various attributes were analyzed separately and the importance to each was calculated on the basis of the percentage. The rank having the maximum percentage was taken to be preferred importance to the particular attribute. After looking at each attribute separately, all the attributes were considered together to develop a map on the most preferred rank for all the attributes.

TABLE 1

Differentiation of the respondents into male and female

TYPES OF RESPONDENTS	NO OF RESPONDENTS	PERCENTAGE
MALE	33	66
FEMALE	17	34
TOTAL	50	100

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ANALYSIS:

From the survey it was found that amongst 50 respondents,

a)66% of respondents are male members.

b)34% of respondents are female members

TABLE 2

Age of respondents

PARICULARS	NO OF RESPONDENTS	PERCENTAGE
LESS THAN 25	11	22
25-35	19	38
35-45	13	26
45-ABOVE	7	14
TOTAL	50	100

ANALYSIS:

The above table classified the respondents according to their age group. The majority of the respondents belong to the age group 25-35 to years with 38% and the second age group is 35-45 years with 26%, followed by less than 25 years with 22% and above 45 years with 14% each.

TABLE 3

Differentiation of respondents based on their occupation

PARICULARS	NO OF RESPONDENTS	PERCENTAGE
BUSINESS	22	44
JOB HOLDER	22	44
PROFESSION	5	10
OTHERS	1	2
TOTAL	50	100

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ANALYSIS:

It could be inferred that majority of consumers of life insurance policies are businessmen and job holder with 44% and profession with 10%, followed by house wives and retired persons with 2 %.

TABLE 4

Table showing monthly income group of respondents

PARICULARS	NO OF RESPONDENTS	PERCENTAGE
LESS THAN 10000	14	28
10000-50000	26	52
50000-ABOVE	10	20
TOTAL	50	100

ANALYSIS:

The majority of dominant income group having life insurance policies belong to the income group of Rs 10,000 to Rs 50,000 which is middle class group.

From the survey it was found that amongst 50 respondents,

- a)28% of respondents have their monthly income below Rs 10000
- b)52% of respondents have their monthly income between Rs10000 to Rs 50000 members.
- c)20% of respondents have their monthly income above Rs 50000

TABLE 5

Table showing family size of respondents

PARICULARS	NO OF RESPONDENTS	PERCENTAGE
LESS THAN 5 MEMBERS	32	64
5-10 MEMBERS	17	34

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10-ABOVE MEMBERS	1	2
TOTAL	50	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

- a)64% of respondents are below 5 members.
- b)34% of respondents are between 5 to 10 members.
- c)2% of respondents are above 10 members.

Q-DO YOU HAVE ANY INSURANCE POLICY?

TABLE 6

PARICULARS	NO OF RESPONDENTS	PERCENTAGE
YES	50	100
NO	0	0
TOTAL	50	100

ANALYSIS:

100% of respondents have insurance policy.

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Q-WHAT FACTORS DO YOU CONSIDER WHILE SELECTING ANY INSURANCE POLICY?

TABLE 7

ATTRIBUTE	NO OF RESPONDENT	RANK
RETURN ON INVESTMENT	19	1
COMPANY REPUTATION	15	2
PREMIUM OUTFLOW	10	3
SERVICE QUALITY	4	4
PRODUCT QUALITY	2	5
TOTAL	50	6

ANALYSIS:

This table shows the strengths and weakness of the company, and what are the important criteria or attributes on which decision making is done. From this table we can infer that consumers give more importance for Return on investment, secondly they prefer company reputation, and then premium outflows followed by service quality and product quality.

Q-WHAT FACTORS INFLENCED YOU TO SELECT A LIFE INSURANCE POLICY?

TABLE 8

FACTORS	NO OF RESPONDENTS	RANK
PERSONAL INTEREST	31	1
FRIENDS	10	2
FAMILY	6	3
AGENTS	2	4
OTHERS	1	5
TOTAL	50	6

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ANALYSIS:From the survey it was found that amongst 50 respondents,

a) 31 respondents are influenced by personal interest.

b) 10 respondents are influenced by friends.

c) 6 respondents are influenced by family.

d)2 respondents are influenced by agents.

e)1 respondents are influenced by others.

Q-DO YOU PREFER TO INVEST YOUR ADDITIONAL INCOME FOR YOUR FUTURE INVESTMENTS?

TABLE 9

	NO OF RESPONDANTS	PERCENTAGE
INSURANCE COMPANY	20	40
BANK	29	58
OTHERS	1	2
TOTAL	50	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

a)40 % of respondents prefer to invest in an insurance company .

b)58 % of respondents prefer to invest in bank .

c)2 % of respondents prefer to invest in others.

Q-HOW DO YOU RATE THE SERVICES OFFERED BY YOUR INSURANCE COMPANY?

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TABLE 10

RATINGS	NO OF RESPONDENTS	PERCENTAGE
EXCELLENT	9	18
GOOD	30	60
FAIR	11	22
POOR	0	0
TOTAL	50	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

- a)18% of respondents have rated services offered as excellent .
- b)60% of respondents have rated services offered as good .
- c)33% of respondents have rated services offered as fair.
- d)0% of respondents have rated services offered as poor.

Q-WHICH IS YOUR FAVOURED INSURANCE COMPANY?

TABLE 11

INSURANCE COMPANIES	NO OF RESPONDENTS	PERCENTAGE
LIC	21	42
ICICI	10	20
HDFC	9	18
BIRLA SUN LIFE	4	8
BAJAJ ALLIANZ	4	8
OTHERS	2	4
TOTAL	50	100

ROLE OF INSURANCE IN FINANCE.

ANALYSIS: From the survey it was found that amongst 50 respondents,

- a) 42% of respondents have invested in LIC.
- b) 20% of respondents have invested in ICICI
- c) 18% of respondents have invested in HDFC.
- d) 8% of respondents have invested in Birla sun life.
- e) 8% of respondents have invested in Bajaj Allianz.
- d) 8% of respondents have invested in other companies.

Q-DO YOU THINK INSURANCE POLICY IS IN DIRECTION OF PUBLIC WELFARE AND PROFIT MAKING?

TABLE 12

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
YES	47	94
NO	3	6
TOTAL	50	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

- a) 94% of respondents says YES.
- b) 6% of respondents says NO.

Q-WHICH INSURANCE COMPANIES HAVE BEEN SUCCESSFUL TO MAKE STRONG PUBLIC BASE BY ADVERTISEMENT?

TABLE 13

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
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LIC	21	42
ICICI	10	20
HDFC	9	18
OTHERS	10	20
TOTAL	50	100

ANALYSIS:

From the table we can rank the insurance companies, LIC stands first, followed by ICICI Prudential followed by HDFC Standard life, followed by others

Q-DO YOU THINK THAT THE ARRIVAL OF SO MANY PRIVATE COMPANIES IN THIS INSURANCE SECTORS?

TABLE 14

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
YES	49	98
NO	1	2
TOTAL	50	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

a)98% of respondents says YES .

b)2% of respondents says NO.

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Q-ARE YOU INTERSETED TO MAKE MORE INVESTMENTS THROUGH INSURANCE?

TABLE 15

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
YES	28	56
NO	22	44
TOTAL	50	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

- a)56% of respondents are interested to make more investments through insurance.
- b)44% of respondents are not interested to make more investments through insurance.

Q-ARE YOU SATISFIED WITH THE SERVICES PROVIDED BY COMPANY REGARDING NEW PLANS AND SCHEME?

TABLE 16

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
YES	49	98
NO	1	2
TOTAL	50	100

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ANALYSIS:

From the survey it was found that amongst 50 respondents,

a)98% of respondents are satisfied with the services provided by company regarding new plans and scheme .

b)2% of respondents are not satisfied with the services provided by company regarding new plans and scheme .

Q-WHAT IS YOUR MAIN CONCERN WHILE TAKING AN INSURANCE POLICY?

TABLE 17

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
TAX BENEFIT	20	40
SECURITY	16	32
INVESTMENT/SAVINGS	14	28
TOTAL	50	100

ANALYSIS: From the survey it was found that amongst 50 respondents,

a)40% of respondents says tax savings.

b)32% of respondents says security.

c)28% of respondents says investment/savings.

Q-FOR WHAT PURPOSE YOU HAVE INVESTED IN INSURANCE ?

TABLE 18

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
LIFE SECURITY TO	13	26

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ONESELF		
TO PROVIDE FINANCIAL SECURITY	21	42
FOR INVESTMENT PURPOSE	6	12
FOR CHILDREN EDUCATION	6	12
FOR RETIREMENT	4	8
TOTAL	50	100

ANALYSIS: From the survey it was found that amongst 50 respondents,

- a) 26% of respondents have invested for life security .
- b) 42% of respondents have invested ,to provide the financial security to family .
- c)12% of respondents have invested, for pure investment purpose.
- d)12% of respondents have invested, for children education.
- e)8% of respondents have invested, for retirement.

Q-WHICH TYPE OF INVESTMENT YOU ARE INTERESTED?

TABLE 19

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
LONG TERM	21	42
MEDIUM TERM	18	36
SHORT TERM	11	22
TOTAL	50	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

- a) 42% of respondents are interested in long term investment .

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b)36 % of respondents are interested in medium term investment .

c)22% of respondents are interested in short term investment.

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Q-WHICH PREMIUM PAYMENT METHOD YOU HAVE OPTED?

TABLE 20

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
YEARLY	31	62
HALF YEARLY	11	22
QUATERLY	4	8
MONTHLY	4	8
TOTAL	50	100

ANALYSIS: From the survey it was found that amongst 50 respondents,

- a) 62% of respondents are paying premium yearly.
- b) 22 % of respondents are paying premium half yearly .
- c) 8 % of respondents are paying premium quarterly.
- d) 8% of respondents are paying premium monthly.

Q-IN WHICH OF THE INSURANCE PLAN YOU LIKE TO OR YOU HAVE INVESTED YOUR MONEY?

TABLE 21

PARICULARS	NO OF RESPONDENTS	PERCENTAGE
TERM PLAN	13	26
ENDOWMENT PLAN	14	28
ULIP	7	14
PENSION PLAN	9	18
HEALTH PLAN	7	14
TOTAL	50	100

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ANALYSIS:From the survey it was found that amongst 50 respondents,

- a) 26% of respondents have invested for term plan.
- b) 28 % of respondents have invested for endowment plan.
- c) 14% of respondents have invested for ULIP.
- d) 18% of respondents have invested for pension plan.
- e) 14% of respondents have invested for health plan.

Q-HOW DO YOU FIND THE QUESTIONNAIRE?

TABLE 22

PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
EASY	29	61.7
MEDIUM	16	34
DIFFICULT	2	4.3
TOTAL	47	100

ANALYSIS:

From the survey it was found that amongst 50 respondents,

- a) 61.7% of respondents have found it easy.
- b) 34% of respondents have found it medium.
- c) 4.3 % of respondents have found it difficult.

Conclusion

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Conclusion and suggestions

- An Insurance policy is an investment oriented plan. As compared to other investment plans, the investment portfolio of the Insurance Policy functions like a mutual fund and other investment. It is invested in a portfolio of debt and equity instruments, inconformity with the announced investment policy. Hence it grows or erodes in line with the performance of that portfolio.
- From this study it reveals that the consumer's attitude towards Insurance Policy and Insurance Company changed a lot. A 5 years before the consumers and the general public were not interested to take an Insurance Policy but now days there are many options and choices in front of the customers. They are interested to take high return policies in order to secure their lives. People are aware of all the benefits and returns of insurance policies. As a result of this new international and domestic companies are coming to the Indian Market.
- Since there are many players in the Indian Insurance Market the competition level is very high. So the companies are introducing new schemes. From this it is found that The LIC is the major market share holder in the insurance field. Even if there are many players in this field still it is an untapped market. Only a few portion of Indian population is insured.
- The ICICI prudential is the most leading company in the insurance sectors. And most reputed company in the market, now a day's customer's perception is entirely different. They will expect own safety and family safety and plus investments.
- Many of customer are not aware of new plans and some of the customers though they are aware of these products. To provide the information about the new plans.

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- To know the customers perceptions and attitude in the present market and in the present threading competition they should do more the present efforts in the following fields. Recruit more efficient advisors, advertisement, strategies, trade promotions activity .
- After overhauling the all situation that boosted a number of private companies associated with multinational in the insurance sector to give befitting competition to the established LIC in public sector, we come to conclusion that:
 - There is very tough competition among the private insurance companies on the level of new trend of advertising to major part of customers.
LIC is not left behind in the present race of advertisement .
 - The entry of private players in the Insurance sector has expanded the product segment to meet the different level of requirement of the customers. It has brought about choice to customers
 - LIC has vast market and very firm grip on its traditional customers and monopoly of insurance products.
 - IRDA is also playing very comprehensive role by regulating norms mandating to private players in this sector, that increases the confidence level of the customers to the private players.
 - Insurance companies not only provide risk cover to infrastructure projects, they also contribute long term funds. In fact, insurance companies are an ideal source of long term debt and equity for infrastructure projects. With long term liability, they get a good asset -liability match by investing their funds in such projects. IRDA regulations require insurance companies to invest

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not less than 15 percent of their funds in infrastructure and social sectors. International Insurance companies also invest their funds in such projects.

- The insurance industry in India has changed rapidly in the challenging economic environment throughout the world. In the current scenario, Indian insurance companies have become competitive in nature and are providing appropriate distribution channels to get the maximum benefit and serve customers in manifold ways.
- Indian Insurance industry has big opportunity to expand, given the large population and untapped potential. The insurance market in India has witnessed dynamic changes including entry of a number of global insurers. Most of the private insurance companies are joint ventures with recognized foreign institutions across the globe. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors.
- A well-developed and evolved insurance sector is needed for economic development as it provides long term funds for infrastructure development and at the same time strengthens the risk taking ability. It is estimated that over the next ten years India would require investments of the order of one trillion US dollar. The Insurance sector, to some extent, can enable investments in infrastructure development to sustain economic growth of the country.
- The researcher identifies the links between insurance, financial sector performance and growth in substantial detail, helping define the insurance –economic growth relationship and supporting the policy conclusions. The thrust of these links is that insurers encourage a greater efficiency and depth in the financial sector, by complementing, competing, and otherwise improving the services offered by other financial institutions.
- In August 2005, the private players in the life insurance business have increased their market share to 23.93 per cent. Among them ICICI prudential is ranked first in capturing the market followed by Bajaj Allianz and HDFC Standard. In the General Insurance sector the private players have captured 27.35 per cent. Among them ICICI Lombard is ranked first, followed by Bajaj Allianz and IFFCO- Tokio.

Bibliography and suggestion

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Recommendations

- With regard to insurance companies, consumers respond at different rates, depending on the consumers characteristics. Hence Insurance companies should try to bring their new product to the attention of potential early adopters.
 - a)Due to the intense competition in the life insurance market, the life insurance companies have to adopt better strategies to attract more customers
 - b)Keeping the cost, quality and return on investment in tact is necessary in order to tackle the competition
 - c)Life insurance products are taken mainly by middle and higher income group. Hence they should be regarded as maim targeted income groups. Life insurance products which are suitable for lower income group should also be released so that the market share increases.
 - d)Return on investment, company reputation and premium outflow are most preferred attributes that are expected by the respondents. Hence greater focus should be given to these attributes
 - e)Private life insurance companies should adopt effective promotional strategies to increase the awareness level among the consumers.
 - f)Life insurance companies should ask for their consumer feedback to know whether the consumers are really satisfied or dissatisfied with the service and product of the companies. If they are dissatisfied , then the reasons for dissatisfaction should be found out and should be corrected in future
 - g)The LIC brand name has earned a lot of goodwill and enjoys a high brand equity. As there is intense competition in life insurance market, LIC should work hard to maintain its top position and offer better service and product.
- The company investment plans are good but launching new plans ,provided the good benefits in the plans and the investments amount is to convenient to customers. It is help for the customers and company.

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- To adopt the new message in advertisement, post more ads in the magazines will be helpful for the customers to know about the plans and their features.
- The company can provide the Quick service to customers and they clearly mention the premium amount and their charges.
- the premium amount should be convenient to customers. And maturity amount should be made quick settled to the customers.
- Improve the customer satisfaction level and provide more facilities to the customers.
- The evidence suggests that insurance contributes materially to economic growth by improving the investment climate and promoting a more efficient mix of activities than would be undertaken in the absence of risk management instruments. This contribution is magnified by the complementary development of banking and other financial systems. India with about 200 million middle class household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Indians, have always seen life insurance as a tax saving device, are now suddenly turning to the private sector that are providing them new products and variety for their choice.
- In the modernized well advanced hi-tech approach to the customer every possible facilities and effort to build up the confidence of the rising policy holders towards. Insurance companies, to complete one another nothing is left to recommend. But some recommendations that are intensely felt and highly required for insurers to sustain in the market. These are as follows:

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a) More and more transparency should be ascertained between insurers and policy holders.

b) Particularly, in the emerging boom in the insurance company, every insurance company should be customer centered, and well versed in the handling of problem and grievances of the policy holders.

c) Each and Every product launched by the Insurance company should be in favour of increasing need of policy holders.

- IRDA should be more and more responsible to the insurance sector by determining some standard. It should be mandatory to every insurers to make more and more responsible and responsive to the policy holders so that comprehensive understanding may be developed among policy holders.

Suggestions for improvement

- Advertise about the company and its products- it motivates individuals to purchase insurance.
- Create a positive Perception about insurance.
- Speak about the good features a plan offers like high returns, life cover, tax benefit, indexation, and accident cover while prospecting customers.
- Try to sell the product/plan which the consumer requires and not the plan where the advisors benefit is higher improve the efficiency in operations.
- Bring out policies with small premium payable for short periods of time-Rs 5000-Rs 10000 per annum for 10 years.
- Attract the youth of India with higher returns on investment as returns are the motivating factor which influence purchase of insurance.
- Promote insurance in colleges and corporate houses.

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- Should have partial withdrawals from the first year onwards.
- Tap the rural market where there is large potential diversity product portfolio.
- Make products more straight forward-reduce complexities.

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ANNEXURE / QUESTIONNAIRE

Annexure

QUESTIONNAIRE

A STUDY CONDUCTED TO UNDERSTAND THE CONSUMER'S PERCEPTION ABOUT INSURANCE POLICIES.

1.Name:

2:Gender:

Male Female

3.Age:

Less Than 25 years

25-35 years

35-45 years

Above 45 years

4.Occupation:

Business

Job Holder

Professional

Other

5.Monthly Income:

Less Than Rs 10000

Rs10000-Rs 50000

Rs 50000-Above

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6. Your family size:

Less than 5 members

5-10 members

Above 10 members

Q-7. Do you have an insurance policy with any insurance company?

YES

NO

Q-8. What factors do you consider while selecting any insurance company?

Premium Quality

Service Quality

Return on Investment

Company Reputation

Product Quality

Q-9. What factors influenced you to select any insurance policy?

Personal Interest

Friends

Family

Agents

Others

Q-10. Where do you prefer to invest your additional money for future investments?

Insurance Company

Bank

Other

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Q-11. How do you rate the service offered by your insurance company?

Excellent

Good

Fair

Poor

Q-12. Which is your favoured insurance company?

LIC

ICICI Prudential

HDFC

Birla Sun life

Bajaj Allianz

Others

Q-13. Do you think insurance policy is in the direction of public welfare and profit making?

YES

NO

Q-14. Which insurance companies have been successful to make strong public base by advertisement?

LIC

ICICI Prudential

HDFC

Others

Q-15. Do you think that the arrival of so many private companies in the insurance sector?

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YES

NO

Q-16. Are you interested to make more investments through insurance?

YES

NO

Q-17. Are you satisfied with the services provided by company regarding new plans and schemes?

YES

NO

Q-18. What is your main concern while taking an insurance policy?

Tax Savings

Security

Investment/Savings

Q-19. For what purpose you have invested in insurance?

Life security to Oneself

To provide Financial security to Family

For Investment Purpose

For Children Education

For Retirement

Q-20. Which type of investment you are interested?

Long Term

Medium Term

Short Term

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Q-21. Which Premium payment method you have opted?

- Yearly
- Half Yearly
- Quarterly
- Monthly

Q-22. In which of the insurance plan you like to or you have invested your money?

- Term Plan
- Endowment Plan
- ULIP
- Pension Plan
- Health Plan

Q-23. How do you find the Questionnaire?

- Easy
- Medium
- Difficult