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ORGANIZATIONAL STRUCTURE AND CONCEPTUAL FRAMEWORK OF INSURANCE AND ITS RELEVANCE IN MODERN ERA

[1]Dr Devesh Kumar, [2]Rahul Siddharth
[1]Associate Professor, [2]Research scholar
[1,2]School of Commerce & Management Shri Venkateshwara University, Uttar Pradesh

ABSTRACT:
Insurance is a tool by which fatalities of a small number are compensated out of funds collected from plenteous. Insurance is a safeguard against uncertain events that may occur in the future. Company image is the highly important criteria that consumers consider before taking up a life insurance. This is mainly because people expect safety and secure for their money which they invest, followed by the factor Premium which we pay to the insurer and then Bonus and Interest paid by the company, services etc LIC dominates the Indian insurance industry. Customer service is the critical success factor in a company and providing top notch customer service differentiates great customer service from indifferent customer service. The entry of private sector insurance companies into the Indian insurance sector triggered off a series of changes in the industry. Even with the stiff competition in the market place, it is evident from the study that products offered by the LIC are creative, innovative and of the liking of the customers, moreover they are satisfied by the true knowledge provided by the company or agents and they are easily accessible, Flexible payment schemes with no hidden cost, there is no undue delay in claims settlement, customers are highly satisfied by the grievance redressed mechanism, and in the near future if they will go for the policy they will stuck to LIC of India, which shows the great faith and positive perception of the customers towards LIC of India.

Key words: Tremendous growth, Market structure, CAGR

1.1 INTRODUCTION

Indian insurance industry is a flourishing with assets, with several national and international players competing to excel. With several reforms and policy regulations, the Indian insurance sector has witnessed tremendous growth in the recent past. The history of the Indian insurance sector dates back to 1818, when the Oriental Life Insurance Company was formed in Kolkata. A new era began in the India insurance sector, with the passing of the Life Insurance Act of 1912.

The Indian Insurance Companies Act was passed in 1928. This act empowered the government of India to gather necessary information about the life insurance and non-life insurance organizations operating in the Indian financial markets. The Triton Insurance Company Ltd formed in 1850 and was the first of its kind in the general insurance sector in India. Established in 1907, Indian Mercantile Insurance Limited was the first company to handle all forms of India insurance.

The Life Insurance Corporation (LIC) of India founded in 1956 is the largest life insurance company in India owned solely by the Government of India. Headquartered in Mumbai, which is considered the financial capital of India, LIC presently has 7 Zonal Offices and 100 Divisional Offices situated all around the country. In addition to an even distribution of 2048 branches located in different towns and cities of India, LIC also has a network of around one million agents who solicit life insurance policies to the public.

The first 150 years of the British Rule in India were characterized by turbulent economic conditions. The first war of independence in 1857, the World Wars 1 and 2 (1914-1918 and 1939-45) and India's national struggle for freedom in between had adverse effect on the economy. In addition to this the period of worldwide economic crisis in between the two World Wars termed as the period of Great Depression led to the high rate of bankruptcies and liquidation of most Life Insurance Companies in India that existed during that time. These occurrences led to loss of faith in insurance of the people of India. In very simple terms, insurance is a pooling arrangement whereby contributions are collected from all members who join a pool.

The amount so collected is utilized to compensate members who suffer loss. The arrangement works because generally not all members who join the pool suffer losses. In order to ensure equity (fairness) a pool would consist of people who are exposed to similar risks.

1.1.1 THE CONCEPT OF INSURANCE

India had the nineteenth largest insurance market in the world in 2003. Strong economic growth in the last decade combined with a population of over a billion makes it one of the potentially largest markets in the future. Insurance in India has gone through two radical transformations. Life insurance in the modern form was first set up in India through a British company called the Oriental Life Insurance Company in 1818 followed by the Bombay Assurance Company in 1823 and the Madras Equitable Life Insurance Society in 1829. All of these companies operated in India but did not insure the lives of Indians. They were insuring the lives of Europeans living in India. The first general insurance company, Triton Insurance Company Ltd., was established in 1850. It was owned and operated by the British. The first indigenous general insurance company was the Indian Mercantile Insurance Company Limited set up in Bombay in 1907. In 1912, two sets of legislation were passed: the Indian Life Assurance Companies Act and the Provident Insurance Societies Act. First, they were the first legislations in India that particularly targeted the insurance sector. Second, they left general insurance business out of it. In 1938, the Insurance Act was passed which covered both life and general insurance companies.

1.1.2 LIFE INSURANCE ORGANIZATIONAL STRUCTURE AND FUNCTIONS

Insurance companies operating in India as on March 31, 2013 were:

Unlike an insurance company, a reinsurance company does not accept business from the end customer, but acts as the insurer for insurance companies, thus, helping to pool the risks that are reinsured with it by all the companies.

Life Insurance Company in Public Sector

A. Life Insurance Corporation of India

B. Life Insurance Companies in Private Sector

1. Aegon Religare Life Insurance Co. Ltd.
2. Aviva Life Insurance Co. Ltd.
3. Bajaj Allianz Life Insurance Co. Ltd.
4. Bharti AXA Life Insurance Co. Ltd.
5. Birla Sunlife Life Insurance Co. Ltd.
6. Canara HSBC OBC Life Insurance Co. Ltd.
7. DLF Pramerica Life Insurance Co. Ltd.
8. Edelweiss Tokio Life Insurance Co. Ltd.
9. Future Generali Life Insurance Co. Ltd.
10. HDFC Standard
11. ICICI Prudential Life Insurance Co. Ltd.
12. IDBI Fortis Life Insurance Co. Ltd.
13. India First Life Ins Life Insurance Co. Ltd.
14. ING Vysya Life Insurance Co. Ltd.
15. Kotak Mahindra Old Mutual Life Insurance Co. Ltd.
16. Max Life Insurance Co. Ltd.
17. Met Life Insurance Co. Ltd.
18. Relliance Life Insurance Co. Ltd.
19. Sahara Life Insurance Co. Ltd.
20. SBI Life Insurance Co. Ltd.
21. Shriram Life Insurance Co. Ltd.
22. Star Union Dai-Ichi Life Insurance Co. Ltd.
23. TATA AIG Life Insurance Co. Ltd.

Non-Life Insurance Companies in Public Sector

1. National General Insurance Co. Ltd.
2. New India General Insurance Co. Ltd.
3. Oriental General Insurance Co. Ltd.
4. United India General Insurance Co. Ltd.

1.1.3 REFORM PROCESS OF INSURANCE SECTOR IN INDIA

The formation of the Malhotra Committee in 1993 initiated reforms in the Indian insurance sector. The aim of the Malhotra Committee was to assess the functionality of the Indian insurance sector. This committee was also in charge of recommending the future path of insurance in India. The Malhotra

Committee attempted to improve various aspects of the insurance sector, making them more appropriate and effective for the Indian market.

The reforms have changed the whole scenario of Indian insurance industry. Its character has changed altogether in the wake of transition from a controlled to a competition-driven market. Several new players have entered into the insurance business. The foreign insurers have entered through the joint venture route. Their entry into the field has generated a tough competition in the market which resulted into better customer service. The quality and price of insurance products has greatly improved. The range of products and services has increased so as to give a wider choice to the customers. Both the existing as well as new players have got ample opportunities to penetrate into untapped areas, sectors and sub-sectors and unexploited segments of population as presently both insurance density and penetration are at a low level. Thus, the reform process started in India has helped the insurance sector to grow in a quick and orderly manner for the benefit of the common man.

Based on their recommendations, the Insurance Act was amended in 1999 to allow private companies to operate. The Insurance Regulatory and Development Authority (IRDA) was established as a corporate body replacing the Controller of Insurance to protect the interests of the holders of insurance policies and to regulate, promote and ensure orderly growth of the insurance industry. The IRDA was empowered to frame regulations and has since come out with many regulations and circulars relating to various spheres, ranging from registration of companies to training of intermediaries, product design, accounting standards, investment norms and advertisement rules.

Though foreign firms can not invest in more than 26 percent at present but many are of the view that this participation may be raised to 49 percent and legislation will be there to this effect. As press reports shows, Sun life of Canada is interested to hike the equity participation in Birla Sun life up to 49 percent once legal decision is taken in this regard by the Government. According to a recent findings that in terms of market share private insurance companies in the life sector has 12 percent market share whereas for non-life sector they 15 percent market share.

1.1.4 Functions of Insurance Regulatory and Development Authority:

The IRDA has been established to perform the following regulatory functions:
Issue and withdraw licenses.
Specify qualification codes of conduct and training for intermediaries and agents. Specify the form and manner in which books of accounts shall be maintained.
Regulate investment of insurance funds.
Specify and percentage of life insurance business to be undertaken by the insurer in both rural and social sectors.
Approve the appointment of the managing directors (Ali et al, 2007).
The IRDA began functioning on April 19, 2000 with N. Rangachary as its first Chairperson and with 4 full-time directors and 2 part-time directors, in addition to the 25-member Insurance Advisory Council. The members of the council represented various industries and professions. The IRDA appointed its first advisory panel with 23 members on May 25, 2000.

1.1.5 PRIVATIZATION OF INSURANCE SECTOR:
The new millennium has exposed the insurance sector to new challenges of competition and struggle for survival in the era of privatization, liberalization, deregulation and globalization. The Indian government nationalized private insurance companies in 1956 life insurance Corporation of India (LIC) along with general insurance in 1972 to bring this sector under government control. Two governments fell over the issue of liberalization of insurance sector. After 40 years of government protectionism of the massive sector, the present government has initiated the process of opening this sector to private Indian business houses as well

as the international players. Although the growth of the Indian insurance industry has been slow owned insurance companies has grown creating only inefficiency.

Better experience provides them with the wherewithal to have a better product mix and more operational flexibility. Moreover, they will operate with a lean staff and lower operational cost. The domestic insurance industry will as a result, have to fast a greater competition. But the resources with the foreign players are limited, as they can invest up to 40 percent of the equity of their joint-venture with Indian firms. This is a great hindrance for them to perform at their optimum level. IRDA is working out to gradually dismantle the tariff structure. Not much treat is perceived as to any price war since the new companies will stress more on the non-actuarial product differentiation. However, the Indian insures due to their extensive branch networking and long standing association with the client still have an advantage. Insurance is viewed as a tax saving instrument rather than protecting ones own kith and kin from the vagaries of the future. The rush for insurance policies to save tax bills can be seen at the end of the financial year. With the entry of private and global players like HDFC Standard life, ICIC Prudential, Kotak Mahindra Club Insurance, Hindustan Time commercial Union to name a few, the insurance industry is going to provide many jobs and is going to witness phenomenal growth.

1.1.6 INDIAN INSURANCE INDUSTRY

Insurance acts as a catalyst in economic growth of a country. It is closely related to savings and investment that comes from, life insurance, funded pension systems and to some extent the non-life insurance industry. Today there are 22 private players with aggregate control of 27% of the life insurance market and 15 private players in the general insurance industry. Entry of private sector has fuelled the growth in the sector driven by new products and aggressive marketing strategies. LIC still covers majority market share with other private companies growing at alarming rates with market share of 48.1% . ICICI Prudential has the majority market share among the private companies and has maintain its market leadership with an estimated market share of 19.2%, SBI life(10.7%),Bajaj Allianz (14.0%), HDFC Standard Life (8.6%), Birla Sun Life (9.2%) , Reliance life(11.0%),max new york (5.9%) etc within the private sector in FY09.

With low barriers to entry, there will be increased competition and better quality of service within the next decade in the Indian insurance industry. An insurance survey by LIC & KPMG showed that annual growth in average premium is 8.2% in India compared to a global average of only 3.4%. The Associated Chambers of Commerce and Industry of India (ASSOCHAM) has projected a 500% increase in the size of current Indian insurance business from US$ 10 billion to US$ 60 billion by 2010 particularly in view of contribution that the rural and semi-urban insurance will make to it.

After the opening of the sector to private players, more new products were introduced. To take an example, one joint-venture non-life insurer introduced 29 different products during one year, according to the IRDA. They included products liability, corporate cover, professional indemnity policies, burglary cover, individual and group health policies, weather insurance, credit insurance, travel insurance and so on. Some of these products were completely new while others were already available through the public insurance companies.

GROWTH AND FUTURE

With a large population and untapped market, insurance happens to be a big opportunity in India. The insurance business is growing at the rate of 32-34% annually .India's insurance sector is the 5th largest life insurance market, globally worth US$ 41 billion. With alarming growth in the past, the insurance industry is predicted to grow even faster in the coming years, with a business opportunity of $70 billion in 2020 for private players.

1.2 REVIEW OF LITERATURE

The review of literature not only presents the facts but also leads into various issues and future work which can be done to enhance the subject of research. So in this direction this research tries to systematically review important available literature on life insurance. Since life insurance is a vital risk tool to mitigate the extreme events in life cycle of an individual in terms of economic value. This study tries to highlight various elements of life insurance concept which will benefit to people at large and can also contribute to the insurance sector in terms of growth.

- ***Subir Sen (2008),*** in his article "An Analysis of Life Insurance Demand Determinants for Selected Asian Economies and India" has tried to understand economic and other socio-political variables, which may play a significant role in explaining the life insurance consumption pattern in Greater China Region and six ASEAN countries for the 11- year period 1994-2004 and also tried to re-assess whether or not the variables best explaining life insurance consumption pattern for twelve selected Asian economies in the panel are significant for India for the period 1965 to 2004. This research has highlighted that in India the economic variables such as income, savings, prices of insurance product, inflation and interest rates & demographic variables like dependency ratio, life expectancy at birth, crude death rate and urbanization are few significant determinants which effect the insurance consumption.
- ***Harpreet Singh & Preeti Singh(2011),*** in their research, "An Empirical Analysis Of Insurance Industry In India" have analysed the overall performance of Life Insurance Industry of India between pre- and post economic reform era and also measure the current status, volume of competitions , challenges faced by the Life Insurance Corporation of India and lastly to measure the effectiveness of investment strategy of LIC over the period 1980 to 2009.They have highlighted the role of LIC as a primary player in life insurance and how there is growth in performance of Indian Life Insurance industry and LIC due to the policy of LPG. They have summarised that Total investment of LIC rose from Rs 4587.7 crores in 1979 to Rs. 762891.7 crores in 2009. Proportion of premium collected by LIC out of total premium collected by life insurance industry is declined from 97% in 2001-02 to 74% in 2007-08. It indicates the increasing competition from private sector. ICICI prudential is becoming a stronger and stronger player by taking over a lot of business of LIC due to aggressive and flexible product range. But still there is a lot of scope of development in the life insurance industry where private sector will be a challenge in the front of LIC.
- ***Syed Ibrahim (2012),*** in his research "Consumers' Grievance Redressal System in the Indian Life Insurance Industry - An Analysis" attempts to review on consumer protection and the awareness with reference to the grievances settlement operations of the Life Insurance Industry in India. The study was based on relevant secondary data which was been collected mainly through the data bases of Insurance Regulatory Development Authority of India (IRDA), Reserve Bank of India (RBI), various reports and other studies for a period of 5 years. The research based on various statistical analyses revealed that LIC has succeeded in resolving consumer's grievances when compared to the private insurers but even private players were active in resolving the grievances only in performance year ends .The paper also highlight that IRDA has recently established the Consumer Affairs Department to give a special focus to and oversee the compliance by insurers of the IRDA Regulations for Protection of Policyholders' Interests and also to empower consumers by educating them regarding details of the procedures and mechanisms that are available for grievance redressal.
- ***Vijay Maruti Kumbhar (2013),*** in his article A Study of FDI in Life Insurance Sector in India has tried to evaluate the concept of foreign direct investment and its role in life insurance sector in India. The Insurance sector was opened up for private sector in 2000 after the enactment of the Insurance Regulatory and Development Authority Act, 1999 (IRDA Act, 1999) ,this Act permitted foreign shareholding in insurance companies to the extent of 26 per cent with an aim to provide better insurance coverage and to augment the flow of long-term resources for financing infrastructure (Yashwant Sinha, 2013).The paper reveals that out of 24 insurance companies including LIC overall FDI is 25.47 percent in 2012 & Rs. 6324.27 of equity capital is invested by the foreign investors in 22 life insurance companies in India out of 23 private insurance companies except SAHARA Insurance and Rs. 18507.65 invested by Indian promoters. The paper concludes that on the bases of statistics received from the IRDA indicates that there is better growth trend in FDI in life insurance sector in India.

- ***Mouna Zerriaa and Hedi Noubbigh (2015),*** in their research paper, "Determinants of Life Insurance Demand in the MENA Region" have tried to investigate the determinants of life insurance consumption in the Middle East and North Africa (MENA) region using a sample of 17 countries over the period 2000-2012.They have used two measures of life insurance demand: insurance density and insurance penetration. This research states that consumption increases with income, interest rates and inflation and also it highlights that country's level of financial development, life expectancy and educational attainment stimulates life insurance demand in a nation.
- ***C. Balaji (2015),*** in his paper- Customer awareness and satisfaction of life insurance policy holders with reference to Mayiladuthurai town tries to measure awareness among the urban and rural consumer about the insurance sector and also the various policies involving various premium rates. The study was conducted by examining around 100 sample respondents which revealed that 100% of respondents are aware of the life insurance policies; where as 87% of the respondents came to know about insurance policies through agents. But it also came to light that Most of the respondents are aware of government insurance company LIC and in the private sector HDFC Standard Life insurance. Finally the research concludes that the penetration level of insurance in India is only 2.3% when compared to 9-15% in the developed nations. So there is a huge market for the Insurance products in the future in India.
- ***Venkataramani.K, Dr.R.Mohan Kumar, Dr.G.Brinda (2015),*** in their article, "A study on the attitude of Consumers and Insurance Agents towards the proposed increase in Foreign Direct Investment (FDI) in Insurance sector in India" have conducted quantitative survey to gauge the attitude of public and the insurance agents who are doing the business on behalf of the insurance companies toward the decision of government of India to rise the cap in FDI in insurance sector from 26% to 49%.The study was conducted in Chennai city with a study sample of 200 which consist of insurance customers and insurance agents And the study focused on four major factors like impact on economy, impact on service to customers, general benefits, impact on insurance business/market.

3. OBJECTIVES, SCOPE AND LIMITATIONS OF THE PRESENT RESEARCH

The objective of proposed research work is below:

- To analyse conceptual and Organizational set up of LIC in the context of globalized era.

Insurers are increasingly introducing innovative products to meet the specific needs of the prospective policyholders. An evolving insurance sector is of vital importance for economic growth. While encouraging savings habit it also provides a safety net to both enterprises and Individuals. Companies tries to creates Long term funds for infrastructure and strong positive correlation between development of capital markets and insurance/pension sector for GDP to grow at 8 to 10%, qualitative improvement in infrastructure is essential. Estimates of funds required for development of infrastructure vary widely. An investment of 6,19,600 crore is anticipated in the next 5 years. Tenure of funding required for infrastructure normally ranges from 10 to 20 years. The insurance industry also provides crucial financial intermediary services, transferring funds from the insured to capital investment, critical for continued economic expansion and growth, simultaneously generating long-term funds for infrastructure development.

LIFE INSURANCE

Life insurance industry recorded a premium income of US$ 24 billion during 2009 with a growth of 32-34% annually and non life insurance US$ 24 billion. The contribution of first year premium, single premium and renewal premium to the total premium was Rs.21275.75 crore (20.09 per cent); Rs.17509.78 crore (16.54 per cent); and Rs.67090.21 crore (63.37 per cent), respectively. Total Sector Premiums are expected to grow at 16% p.a. for the next 5 years. Private sector is expected to grow at 59% CAGR. Private players are expected to gain market share of 45% by 2010. Life insurance sector has contributed to more than 4% in the GDP whereas nonlife insurance has contributed to around 0.6%

Table1.1

Projection of life insurance and non life insurance premiums, 2004-2014:

	Life insurance (INR m)	Non life insurance (INR m)
2004	749971	203856
2005	871672	234323
2006	1025957	271830
2007	1201425	315522
2008	1403362	368094
2009	1667814	429750
2010	1983051	496953
2011	2366576	572727
2012	2804561	651736
2013	3326543	734778
2014	3947899	828433
Average growth rate between 2004-2014	18.1%	15.1%

Source: Swiss Re Economic Research and Consulting

While the overall sector premium growth will continue to be in the 15-20% range, premium income for the private sector is expected to grow at a much faster rate as they are expected to continue to gain market share. The growing popularity of the private insurers is evidenced in other ways. They are coining money in new niches that they have introduced. The state owned companies still dominate segments like endowments and money back policies. But in the annuity or pension products business, the private insurers have already wrested over 33 percent of the market. And in the popular unit-linked insurance schemes they have a virtual monopoly, with over 90 percent of the customers. Buoyed by their quicker than expected success, nearly all private insurers are fast- forwarding the second phase of their expansion plans. No doubt the aggressive stance of private insurers is already paying rich dividends. But a rejuvenated LIC is also trying to fight back to woo new customers.

CONCLUSION: FINDINGS AND SUGGESTIONS

Life Insurance cannot afford to lose sight of its social relevance and shy away from its social responsibilities. The corporation has to constantly study the emerging needs of the market, arising due to the change in the value of social life. Demographic changes also produce the different needs amongst the population. The contribution to the nation building through strengthening the economy of a country, improvement of the health care facilities, education as well as employment shall go a long way to ultimately improve the quality of the insurance products of individual members of the society.

It can be said that LIC did a commendable job by bringing about changes in its marketing strategy. LIC tried its level best to cope with the marketing initiatives of the private insurance companies. The market share which the private companies were taking away from LIC was an eye opener for LIC who was once enjoying monopoly position in the market. The private companies were taking away the market share by bringing new and innovative products to suit the needs of customers, building a strong distribution network, strong advertisement and finding new markets for their products. LIC which was moving on traditional pattern revitalized itself to regain its market share and image and came up with new marketing and sales promotion techniques. These changes proved to be fruitful for LIC.

Investment in infrastructure project shall set the country on a road to the progress one hand and create goodwill and favourable organizational image in the minds of public on the other hand. Life insurer will also have to play a role for encouraging development of technology and make its effective use by enhancing the matching skills of public. Still some actions by Life Insurance Corporation of India are needed for developing insurance market. The major factors playing the role in developing consumer’s perception towards Life Insurance Policies are Consumer Loyalty, Service Quality, Ease of Procedures, Satisfaction

Level, Company Image, and Company-Client Relationship. Insurance industry has to go ahead. A lot of opportunities are still waiting. This research will help in developing the market share, loyalty and further development in insurance sector.

The insurance sector in India is built on the two bulwarks of '**Trust & Reputation**.' These two pillars hold the highest esteem in the eyes of any prospective or current insurance holder. A classic example of the above claim is the market dominance of LIC in the insurance vertical. LIC has been around for more than five decades and being a PSU has been able to garner the trust of Indians over the years. The fact that LIC controls more than 80% of the life insurance market is a testimony to its reliance on the two pillars of success stated above.

The significant growth in the Indian life insurance market in the review period can be attributed to key growth drivers such as population growth, robust economic growth, lucrative tax benefits, the rising disposable income of India's middle-class population, and increased awareness of the need for insurance, especially among younger people.

- India is the world's twelfth-largest life insurance market and the fourth-largest in the Asia-Pacific region.

During the period from financial year (FY) 2002-2010, life premium grew at staggering CAGR of %. An increase of more than % in growth was registered in the financial year 2007, when the premium increased from USD million in 2006 to USD million in 2007 and 2008. The growth rate slightly dipped in financial year 2009 but rose again in 2010. In financial year 2010, the gross life insurance premium stood at USD ~ million. Non-life premium has risen in India at a very past pace. The premium increased from USD ~ million in FY'2002 to USD ~ million in FY 2010 at a CAGR of %. An increase in total insurance was also registered with the premium rising from USD million in FY'2002 to USD million.

The customer targeting strategies and the product innovation strategies followed in the industry.

The profiles of the major companies in the industry, since the liberalization in 2000, the insurance industry in India has been growing considerably driven by multiple favorable economic and demographic factors. The Indian health insurance market grew at a CAGR of 34.00% during the review period and is expected to grow at a CAGR of 23.51% over the forecast period to register the fastest growth among all the insurance sectors.

Recently, vertical settlements have created problems for life insurance carriers. A vertical settlement involves the purchase of a life insurance policy from an elderly or terminally ill policy holder. The policy holder sells the policy to a purchaser for a price discounted from the policy value. The seller has cash in hand, and the purchaser will realize a profit when the seller dies and the proceeds are delivered to the purchaser. In the meantime, the purchaser continues to pay the premiums. Although both parties have reached an agreeable settlement, insurers are troubled by this trend. Insurers calculate their rates with the assumption that a certain portion of policy holders will seek to redeem the cash value of their insurance policies before death. They also expect that a certain portion will stop paying premiums and forfeit their policies. However, vertical settlements ensure that such policies will with absolute certainty be paid out. Some purchasers, in order to take advantage of the potentially large profits, have even actively sought to collude with uninsured elderly and terminally ill patients, and created policies that would have not otherwise been purchased. Likewise, these policies are guaranteed losses from the insurers' perspective.

SUGGESTIONS

During the research, the researcher came across several incidences making it evident that LIC is a dominant market player with more than 70% of market. 22 of the private insurers had managed a higher growth at 7% against 2% in the previous period, but they cumulatively lost 6% market share to the LIC, the only public sector insurer. The majorly belongs to LIV with more than 70 % of market share in respect to other private player market Dominance may not be per se wrong under competition Act but abuse of dominance is wrong. With major market share there seems a ground that the market does not provide for a level playing field in the market. Level playing field is to be provided for a fair competitive environment which the commission undertakes to do. Sovereign guarantee of government to state owned LIC is giving it an unfair advantage to build trust in customers due to which LIC has a major life insurance market share. Also the exclusive distribution network LIC prevents market from competition knowingly or unknowingly. Having a large number of agents cannot be said to be an anti-competitive practice but such a regulation has given an advantage to LIC as it has over 11 lakh agents in comparison to other player is far more. Agents build a relation with customers and when one agent is allowed to provide service of only one insurer it provides the customer with less choice. More LIC agents mean more selling of LIC products.

People invest more with a faith that their investment is guaranteed to come back if not by LIC than by government. More distribution network means more dominance of LIC in market. Commission needs to look into such a situation to give an open and level playing market to all players.

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