SHIV SHAKTI

International Journal in Multidisciplinary and Academic Research (SSIJMAR)

Vol. 3, No. 2, March- April -2014 (ISSN 2278 – 5973)

Life Insurance Distribution in India

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Abstract

Intermediaries if empowered with the correct learning, training and sales tools and technology skills together with right product mix, will help the insurers to survive and flourish in the competitive market.

It is apparent that multiple distribution channels will help an insurance company to offer a range of touch points to the customer, thereby increasing the probability of success. However, along with these distribution channels comes the challenge of 'relationship management'. Since most of the new channels involve collaboration with a range of entities whose demands and powers of negotiation are varied, it requires delicate skills on the part of the insurance company to administer these relationships. Effective management of channel conflict, and curtailing the costs of distribution will be of greatest importance.

One important thing to be kept in mind is that all intermediaries can't sell all lines of business profitably in all markets. Even clients should also receive price differentials for using different channels. Moreover the channel composition should be heterogeneous and should reflect the larger society. For example:

- Agents from diverse economic- social strata, different age and gender.
- Brokers from corporates to NGOs to milk co-operatives.
- Banc assurers ranging from multinational banks to micro-credit lending agencies.

KEYWORDS

Intermediary, The Personal Distribution Systems, Direct Response Distribution Systems , Bank Assurance , Broker, Work Site Marketing, Exclusive Agent/ Captive Agent, Multi-channel Distribution , Invisible Insurer

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LIFE INSURANCE DISTRIBUTION IN INDIA

"Insurance is sold and not bought"

INTRODUCTION

Tangible goods like soaps, toothpastes, furniture, land, building etc. are demanded by people. They feel the need for buying these products. But it is not the same with insurance. People themselves do not feel its importance and requirement. Not many people understand what insurance is and how it works. Furthermore the fruits of insurance are recovered after a long period as compared to the tangible products, hence it is not that lucrative for people.

Older insurance companies Life Insurance Corporation Of India (LIC) and General Insurance Corporation (GIC) and now also private insurance companies have (are) extensively using the service of agents on following grounds:-

- Insurance is a concept that has to be explained and its usefulness clarified personally to the people.
- Each potential buyer has his own special needs and requires specialized solution.
- Personalized guidance is possible when there is a face-to-face contact between the agent and customer.
- Insurance is like sand when it is bought and gold when it is realized. Given a choice, people would postpone the decision to buy insurance as they do not realize its benefit at the time it is offered. They have to be convinced.

- The agent gets to know the proposer closely, is in a position to provide valuable and necessary information on personal life styles, habits, family, etc.

It has been thirteen years since the Indian insurance market was opened up. The new entrants have situated branches in every major city. The public sector companies LIC and GIC also have already established themselves in the market. But still there are multiple challenges faced by all insurance companies, of which two are vital:

1. Product design to suit the Indian market.
2. Choice of the right distribution channel.

The companies have been fairly successful in dealing with the first challenge by using the existing product features and leveraging the technical know-how of their partners. Not to forget that LIC never had a scarcity of products. It is the marketing of products in which it has not been much successful. Similarly most of the private insurers are also grappling with the right channel mix for reaching the potential customers.

Role Transformation Of Intermediaries In The Challenging Scenario

Insurance has to be sold rather than being bought the world over and the Asian Market is no exception. It is the distributor who makes the distinction in terms of the quality and choice of product, after sale service and settlement of claims. In the Asian markets, with their distinct cultural and social ethos, various factors play a major role in deciding the distribution channels and their effectiveness.

In today's scenario, insurance companies have to move from merely selling insurance to marketing an essential financial product. The distributors should become trusted financial advisors for the customers and trusted business associates for the insurance companies.

This surely calls for leveraging multiple delivery channels in the most cost- effective and consumer friendly manner.

The Channels Of Distribution Can Be Grouped Under Two Heads, Namely:-

1. **Private Distribution Systems** include all channels like agencies of different types and brokers, banks, and work site marketing.

2. **Direct Response Distribution Systems** include all channels through which the client purchases the insurance directly. This segment utilizes various media such as the Internet, telemarketing, direct mailing, call centers, etc. and has caught up very easily.

In today's Indian insurance market, the challenge to insurers and intermediaries is two-pronged:

1. Image and faith on the company.
2. Image and faith on the intermediaries.

Traditionally, agents have been the principal channels for insurance distribution in the Indian market. The public sector insurance companies have their branches in nearly all parts of the country and have attracted local people to be their agents. The agents are from various segments of the society and collectively cover the entire spectrum of society. If the agent, a person who has lived in the locality for many years sells the products of the insurance company, people have faith will surely buy.

But the profile of the people who have acted as agents indicates that they may not have been amply well-informed about the different products offered, and may not have sold the best possible product to the client. One can say that the agent so far has been selling the products which he comprehended well. However, the customer trusted the agent and the company i.e. LIC and GIC.

This worked very well and satisfactorily in the absence of competition upto the year 2000 when. In today's competitive scenario, agents still continue to be the prime channel for insurance distribution in India.

The new companies have attempted to influence only the middle, upper middle and elite classes in the major cities. Public sector insurance companies, have their offices across the country, but the new companies have miles to go. They have to conquered the mindset of the customer that life insurance is Life Insurance Corporation of India (LIC) and general insurance is General Insurance Corporation of India (GIC) if they hope to grow in the market. Meanwhile, the public sector companies have to refurbish their image to look and feel more contemporary in the liberalized scenario.

Resultantly both, the public and the new private sector companies are fighting their own battles to get maximum market share.

The Essential Features of Public Sector Companies:

- Well established
- Products are not attractive and flexible
- Hold on to their clients

- Match the gleam of the new private sector companies

The Essential Features of Private Sector Companies:

- Establish themselves in a market where insurance means LIC or GIC for the public.
- Remove the perception that anything that looks good is expensive.
- Establish the fact that they are here to stay for long and fulfill their long term commitments.
- Attract intermediaries who can market the product for them.

Intelligent segmentation of distribution channels to match the market segmentation is what will help the companies to move in this direction.

These are the times of utilization of multi- distribution channels. Reliance on agents only won't do.

MULTIPLE DISTRIBUTION CHANNELS

A multi-channel strategy is better suited for the Indian market to tap the vast untapped potential. Apart from geographical spread the socio-cultural and economic segmentation of the market is also very wide. The needs and traits of people are different. Let us examine the suitability of various insurance distribution channels and the challenges faced by them.

1. **Agents**

Agent is the one who can sell his company's product. The insurance agent should know which product will appeal to the customer, and also be well aware of competitor's products to be an effective salesman. To the average customer, every new company is the same. Perceptions about the public sector companies are also cemented in their mind.

The new companies are looking for well-educated, well-informed individuals with a flair for marketing.

In the public sector tied agents are hardly of the elite variety of salesman. They are still the neighborhood do gooders -- the postman, the schoolteacher, and the shopkeeper -- who know the people and are themselves known to the community. The challenge for them is the lack of knowledge of the competitive market and the inability to do intelligent comparisons with the competitor's products. Educating and training these agents is a serious challenge for the insurance companies.

No doubt the significance of this kind of agent continues even today. Insurance companies are advised not to follow the path of FMCG's/credit card companies, who sell their products through suited and booted customer care advisor or financial consultant. The typical Indian customer as far as insurance is concerned will still have trust on the nearest known person.

Another societal feature in the market is the substantial respect for age in the Indian society and a belief that an older person knows better and will be honest.

A very young agent who is a archetypal salesman may not be appreciated by a large segment of middle class people.

In view of this, it is better to recruit some older people (probably who have taken VRS from banks and other financial institutions) to sell products like pension plans and annuities.

Gender of agents is another pertinent feature in the rural context that makes a difference, especially for the female population. Women to whom the customers can relate --e.g., nurses, *gram sevikas* — can target the female segment of the population more effectively. In rural India women and children health programs and family planning programs were effectively spread by women. This concept is likewise appropriate for insurance selling also. For example Max New York Life (private insurer) has followed the same policy by appointing *gram sahayaks* to sell insurance and service the rural customers.

2. Banks

Banks (especially the public sector banks in India) have wide networks. A question arises, can they also turn into the foremost channel for distribution of insurance? Possibly in the future, they can if properly directed.

The public sector banks, with their vast branch networks, are also beleaguered by a rigid unionized workforce and archaic systems, and lack vision of a broader service spectrum which is required for selling non-banking products.

On the other side the private sector banks are inhibited by their lack of reach and meager branch strength. For banks to become a largest channel for selling insurance, paradigm shift in their policies and behavior pattern of employees will be required.

The major lines of business that can be sold through bancassurance successfully are term insurance, creditor insurance, and non-life products like property, motor and personal accident, homeowners comprehensive insurance etc. Bancassurance can be a sure shot way to reach a broader customer base, provided it is used sensibly.

Bancassurance is a mutually beneficial situation as banks can expand their range of products on offer to customers and earn more, while the insurance company profits from the exposure at the bank branches, and the security of receiving timely payments. The products that are likely to sell well through bancassurance are commoditized term and annuity products. Also, those products that combine insurance and banking needs help to create demand - such as loan cover, term assurance and simple products that can be sold over-the-counter at banks.

Another advantage is that banks with rural area network, help to fulfill rural and social obligations imposed by the Insurance Regulatory and Development Authority (IRDA).

Advantages of Bancassurance

- High reliability
- A readymade customer base
- Low cost
- Good to trade simple products
- Extensive exposure including rural areas
- Corporate clients
- Rural infiltration
- Cheaper than agents
- Cross-selling products
- Tailored service

Disadvantages of Bancassurance

- Bank staff is groomed to sell banking products only.
- Bank staff is unwilling to sell insurance products.
- Useful for certain lines of insurance only.
- Initial investment in systems and processes required.

As is obvious from the above, success would come by using bancassurance where it will be most effective – i.e., selling simple, low-priced products to the masses at a low cost. This awareness is growing among insurance companies. One can see that today, nearly every insurance company has partnered with one or many banks to put into practice the concept of bancassurance.

Banks can utilize their existing clientele, which includes corporate as well as retail clients to market insurance products.

Customer Database – information on the customers spending habits, investment purchase, can prove to be a goldmine. Such information channelized in the right approach in insurance context can help work out marketing strategies and arrive at result-oriented decisions targeting prospects. Customers, can get day-to-day financial support for premium payment, surrender, transfer of policies and many more through the bank counter.

Banks in their normal course of functions lend finance in the form of loans for cars or for buying a house. They can combine insurance products and sell as a package. In the current scenario, banks can cross sell their products along with the insurance products.

Bancassurance, may work out to be a cheaper source for selling insurance products as compared to appointments of agents. Ultimately, bancassurance as a channel will provide consumers with alternative access to a wider range of products. The effectiveness of Bancassurance business model requires a growing cultural synthesis between the two partner organizations.

3. Brokers

Brokers are the insurance intermediaries who represent the customer and sell the products of more than one company. The brokers in the urban areas can attract the elite and the upper middle class customers very well. They help the clients to find the best product suited to them. They can effectively address the mind block faced by the public about the various companies especially in case of life insurance companies.

In the non-life segment, broking is not new, as reinsurance brokers have been arranging exotic covers. For individual customers also, with a wide range of competitive products, the broker can get a good deal.

Having brokers in insurance market is a new experience for the insurance customer, accustomed to brokers in financial services, real estate, and travel and tourism. For historical reasons, the image that the 'broker' carries in the minds of the customer is not very favorable. Thus the new breed of insurance brokers face the challenge of establishing credibility.

The positives are that brokers in the urban arena can attract the elite and the upper middle class customer. Brokers represent the customer and will sell the products of more than one company. They seek to determine the best fit for the client and can effectively address the mind block faced by the public about the various companies. This is applicable in the case of life insurance for the high-end and corporate/group segment.

If NGOs based in rural areas can be attracted into the rural sector cooperatives arena, they stand a good chance of succeeding and can help the new players get a foothold in the rural market. These are the players with the potential to make the difference, as they have the trust of the people. The Indian rural insurance scenario is having high business volume and tremendous growth potential, the need is to extract it by the right mode.

However, the greatest challenge lies in establishing regulations that protect the customer and attract the right players into the insurance brokerage market rather than creating another intermediary segment eroding the premium.

What Is The Difference Between Agent and a Broker?

The agent and the broker are different. The agent acts on behalf of one insurer and can only sell what his insurer has to offer, whereas broker acts on behalf of his client. Broker is not tied to an insurer and can arrange the best protection for customer at a competitive price with any insurer. In fact broker uses many insurers for the insurance program of his customer. In a way he gives the best to the customer.

Thus the agent is the representative of Insurance Company whereas broker is the representative of the consumer or policy holder.

4. Internet

We do not see the web evolving into a means for direct selling of insurance in India in the current scenario as in the Indian market, insurance is sold after considerable persuasion and face-to-face selling. The selling over the net, which needs initiation by the client, would take some more time.

Automobile insurance, which is an “off the shelf" product in India, would be the ideal segment to start with. On the life side, term assurance for standard lives with simplified underwriting is a possibility on the net.

Internet itself cannot solely influence people to buy insurance but can be a support to the human channels. Companies can share information about their products on the net. They can offer other facilities like suggestion of covers for individuals, premium calculations, policy status, knowledge of new products etc. But sale of the product solely through net will take time to catch up.

Indians are becoming internet savoir-faire. But as far as doing financial transaction on the net is concerned, that is not catching up due to the insecurity associated with it. At present most of the insurance companies have product information and/or illustrative tools on the web which guides the prospective customers.

In India, the insurance distribution through internet has yet to take shape as an alternative sales channel since insurance is still a product that is 'sold and not bought'. However, the Internet is a valuable, facilitating medium to conclude actual sales transactions.

Analysis of Distribution Channels

The following is the analysis of performance of channels of distribution in Life Insurance Sector in India

1.INDIVIDUAL NEW BUSINESS PERFORMANCE OF LIFE INSURERS – CHANNEL WISE

Table No. 1 (Premium in Rs. Crores)

Particulars	Number of Policies Issued		Increase/ decrease	ount of Premium		Increase/decrease
	2006-07	2012-13	in total share	2006-07	2012-13	in total share
Individual Agents	42301907	39370820		54605.3	48257.36	
	(93.15)	(89.17)	-3.98	(90.46)	(77.53)	-12.93
Corporate Agents - Banks	1426919	2452767		3363.17	10072.96	
	(3.14)	(5.55)	2.41	(5.57)	(16.18)	10.61
Corporate Agents - Others	1284785	1093960		1825.89	1288.68	
	(2.83)	(2.48)	-0.35	(3.02)	(2.07)	-0.95
Brokers	259177	427151		331.63	1033.15	
	(0.57)	(0.97)	0.40	(0.55)	(1.66)	1.11
Direct Selling	139077	809926		235.33	1588.71	
	(0.31)	(1.83)	1.52	(0.39)	(2.55)	2.16
TOTAL	**45411865**	**44154624**		**60361.32**	**62240.88**	
	(100)	**(100)**		**(100)**	**(100)**	

Source: IRDA Handbook 2013

The table No. 1 shows that there is a paradigm shift in the reliance on different channels of distribution in our Insurance Industry. Th reliance on Individual agents seems to be declining , bancassurance has picked up and seems to be showing results. Corporate agents i.e. Company's as agents have not earned much market share. Brokers on other hand are performing extremely well. Direct selling has also gained performance in past few years.

2. GROUP NEW BUSINESS PERFORMANCE OF LIFE INSURERS – CHANNEL WISE

Table No. 2 **(Premium in Rs. Crores)**

Particulars	Number of Schemes		Number of Lives Covered		Amount of Premium	
	2006-07	2012-13	2006-07	2012-13	2006-07	2012-13
Individual Agents	49	7434	27384	11626637	5.63	1503.21
	(0.18)	(23.71)	(0.13)	(14.88)	(0.04)	(3.34)
Corporate Agents - Banks	275	515	14790925	2698080	326.98	2081.28
	(1.19)	(1.64)	(7.40)	(3.45)	(2.33)	(4.63)
Corporate Agents - Others	8	328	467838	6281462	3.17	364.42
	(0.03)	(1.05)	(2.34)	(8.04)	(0.02)	(0.81)
Brokers	261	1500	492044	2296292	31.01	254.74
	(1.09)	(4.78)	(2.46)	(2.94)	(0.21)	(0.57)
Direct Selling	22507	21573	17358013	55214205	13611.19	40791.39
	(97.50)	(69.91)	(87.36)	(70.68)	(97.39)	(90.66)
TOTAL	23102	31350	19824304	78116676	13979.49	44996.07
	(100)	(100)	(100)	(100)	(100)	(100)

Source: IRDA Handbook 2013

No. of group insurance schemes sold by the Individual agents has increased as evident from the above table. Number of lives covered has also increased. Higher amount of premium has been achieved by individual agents and Corporate agents. Hence all seem to perform better except for direct selling.

3. NUMBER OF INDIVIDUAL AGENTS OF LIFE INSURERS

Table No.3

Insurer	2002	2013
Private Total	34012	949774
LIC	792112	1172983
Industry Total	826124	2122757

Source: IRDA Handbook 2013

No. of agents increased and hence can be inferred that insurance agents have still a lot to do in selling insurance. Perhaps number of increase of agents has resulted into sale of more no. of policies and widening of the market share of each company.

4. NUMBER OF CORPORATE AGENTS OF LIFE INSURERS

Table No. 4

Insurer	2002	2013
Aegon Religare	0	8
Aviva	0	10
Bajaj Allianz	18	210
Bharti Axa	0	3
Birla Sunlife	33	57
Canara HSBC	0	5
DLF Pramerica	0	13
Edelweiss Tokio	0	1
Future Generali	0	6
HDFC Standard	35	9
ICICI Prudential	80	11
IDBI Federal	0	3
India First	0	9
ING Vysya	3	8
Kotak Mahindra	12	23
Max Life	0	20
Met Life	5	11
Reliance	1	14
Sahara	0	7
SBI Life	0	83
Shriram	0	7
Star Union Dai-Ichi	0	9
Tata AIG	68	5
Private Total	**255**	**532**
LIC	20	207
Industry Total	**275**	**739**

Source: IRDA Handbook 2013

Here also LIC is a leader. Corporate agents employed by LIC has increased by 935% and private companies have increased by 108%. Overall there is an increase in reliance on corporate agents in life insurance industry.

5. AVERAGE NUMBER OF POLICIES SOLD BY INDIVIDUAL AND CORPORATE AGENTS

Table 5

Insurer	Individual Agent		Corporate Agent	
	2007-08	2012-13	2007-08	2012-13
Aegon Religare	0	3	0	548
Aviva	6	3	1332	5870
Bajaj Allianz	9	3	3701	1042
Bharti Axa	6	3	669	475
Birla Sunlife	7	3	379	2484
Canara HSBC	0	0	0	12224
DLF Pramerica	0	4	0	4277
Edelweiss Tokio	0	8	0	94
Future Generali	85	1	0	4591
HDFC Standard	6	4	260	56628
ICICI Prudential	6	2	7478	28843
IDBI Federal	9	3	1954	26506
India First	0	7	0	11297
ING Vysya	6	5	1266	5498
Kotak Mahindra	5	2	599	2467
Max Life	16	6	12420	12393
Met Life	4	3	2691	12740
Reliance	4	3	2443	6608
Sahara	10	5	112	130
SBI Life	17	6	16154	4610
Shriram	5	5	1636	10030
Star Union Dai-Ichi	0	5	0	16477
Tata AIA	8	3	1538	1981
Private Total	7	3	1798	5064
LIC	32	29	1905	2569
Industry Total	20	18	1815	4376

Source: IRDA Handbook 2013

Change in percentage of LIC's individual agents performances is -9.3%, private companies is -57% and of overall industries -10%.

Change in percentage of LIC's corporate agents performances is 34%, private companies is 182% and of overall industries 141%.

6. AVERAGE NEW BUSINESS PREMIUM FOR INDIVIDUAL AND CORPORATE AGENTS

Table 6 (In Rs. Lakhs)

Insurer	Individual Agent		Corporate Agents	
	2007-08	2012-13	2007-08	2012-13
Aegon Religare	0	0.80	0	137
Aviva	0.96	1.03	471	1917
Bajaj Allianz	1.78	0.72	468	127
Bharti Axa	0.94	0.67	94	80
Birla Sunlife	1.36	0.56	321	379
Canara HSBC	0	0	0	5919
DLF Pramerica	0	0.97	0	350
Edelweiss Tokio	0	1.21	0	21
Future Generali	3.19	0.22	0	519
HDFC Standard	1.15	0.60	117	27956
ICICI Prudential	1.67	0.86	2710	13287
IDBI Federal	1.83	0.81	934	7580
India First	0	0.85	0	2994
ING Vysya	1.2	1.43	226	2106
Kotak Mahindra	1.61	0.55	172	1686
Max Life	3.19	1.68	1893	4600
Met Life	1.08	0.81	1095	4249
Reliance	0.93	0.45	463	879
Sahara	1.07	0.48	64	8
SBI Life	6.5	1.63	7067	1598
Shriram	1.56	1.58	418	1547
Star Union Dai-Ichi	0	0.66	0	6098
Tata AIA	1.11	0.58	435	420
Private Total	**1.62**	**0.79**	**453.1**	**1699.91**
LIC	4.22	3.28	207.81	619.65
Industry Total	**2.95**	**2.15**	**414**	**1401.81**

Source: IRDA Handbook 2013

Change in average new business premium for individual agents is in case of private companies -0.83%, LIC -0.94% and for overall industry -27.11%.

Change in average new business premium for corporate agents is in case of private companies -1246.81%, LIC 411.84% and for overall industry 987.81%.

7 . AVERAGE PER POLICY PREMIUM FOR INDIVIDUAL AND CORPORATE AGENTS

Table 7. (In Rs.)

Insurer	Individual Agent		Corporate Agent	
	2007-08	2012-13	2007-08	2012-13
Aegon Religare	0	24712	0	25030
Aviva	15075	38893	35377	32661
Bajaj Allianz	20479	24959	12640	12230
Bharti Axa	15178	21632	14079	16820
Birla Sunlife	19147	19820	84581	15246
Canara HSBC	0	0	0	48421
DLF Pramerica	0	24744	0	8181
Edelweiss Tokio	0	15526	0	22057
Future Generali	3745	19922	0	11298
HDFC Standard	19327	14604	44927	49369
ICICI Prudential	26632	44435	36238	46066
IDBI Federal	21250	24517	47799	28596
India First	0	12078	0	26503
ING Vysya	19325	30578	17856	38297
Kotak Mahindra	34083	29355	28724	68351
Max Life	19437	27426	15242	37119
Met Life	26469	30232	40688	33352
Reliance	23002	15420	18944	13304
Sahara	11147	9522	57179	6209
SBI Life	38323	28678	43749	34661
Shriram	29233	30269	25546	15421
Star Union Dai-Ichi	0	13544	0	37002
Tata AIA	13119	20222	28260	21208
Private Total	22739	24457	25196	33562
LIC	13170	11143	10908	24123
Industry Total	14863	12257	22805	32034

Source: IRDA Handbook 2013

Percentage change in average per policy premium for individual agents in private companies is 7.50%, LIC -15.39%, overall industry -17.53%.

Percentage change in average per policy premium for corporate agents in private companies is 33.20%, LIC 121.14%, overall industry 40.46%.

ETHICS IN INSURANCE DISTRIBUTION

The foundation of insurance contract is based on integrity, trust and expectation that the insurer will pay the amount which was promised to be paid and in the manner understood by the insured. Sometimes the settlement of claim is delayed or the procedures to be completed at the time of settlement are far too cumbersome than the expectation of the customer, or he may get a lesser amount than expected by him. The customers not only grudge but even they lodge complains with authorities like the Ombudsman. In this context, many a time, insurers are defamed and branded as unethical. However, the core reason for this mostly lies in the fault in distribution of product itself. The greatest factor that attributes to this state of the industry is unethical practices resorted to by agents/distributors in selling the insurance products.

The pressure to achieve sales targets on agents and other distributors, many a times, results in unethical practices at the grass-root level. The existing gap between customer expectations and insurability of risks can be filled by ethical practices of sales personnel.

Measures To Overcome Unethical Practices:-

- Imparting knowledge of ethics to the agents.
- Aligning the organizational culture to ethical behavior.
- Making the policy phraseology simple and understandable.

- Creating healthy competition among peers.
- Having a proper commission structure for the intermediaries.
- Clear communication of company's objectives to customers and implications of its products.
- Initiate for funding the research activities focusing on customers.

SUMMARY AND CONCLUSIONS

After the liberalization of the Indian insurance sector and competition getting tougher than ever before, companies are increasingly trying to come out with better innovations to stay one-step ahead. Progress has definitely been made as evident from the number of new and superior products flooding the market today. Products with attractive premiums, unit-linked products and innovative riders are available.

Insurance agents are still the main channel through which insurance products are sold. But in a huge country like India, one needs to look at well-balanced, alternative channels of distribution to gain cent per cent penetration. As compared to individual agents, the performance of corporate agents is improving.

Nationalised insurers are well established and have an extensive network and presence all over the nation. New players are finding it expensive and time consuming to bring up a distribution network of such standards. Usage of alternate channels will help to bring down the costs of distribution and thus, benefit the customers and insurers both.

An insurer should not be unwilling to trust the channels of distribution other than the traditional agent's. It (insurer) must be ready to adopt alternative distribution channels not to compete with agents but as a complementary effort to provide customers with an array of products through diverse media. Channel conflict may arise but it must be synchronized to the best advantage of the customer and the insurer.

Countries like South Korea, Singapore and Hong Kong are good examples of insurance markets who have used a number of channels from agents to bancassurance, to brokers and direct marketing, including credit cards, telemarketing, shop assurance and brand assurance. Insurance companies offer a set of channels, including the Internet, self-service channel and agency portals to meet the customers' needs in order to finalize a sale. Insurance distribution in India is still in a state of flux. Insurers have to, by and by use the various distribution channels and have to finalize the right mix of intermediaries for themselves.

No doubt the success of selling insurance depends on understanding the social and cultural needs of the target population, and matching the market segment with the appropriate intermediary segment.

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