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# Pricing in Indian Life Insurance Industry: An Assessment of Key Issues

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**Abstract**

The insurance sector in India has accomplished its full circle from being an open competitive market to nationalised market and reverse geared to a liberalised market again. This kind of developments in the Indian insurance sector reveals the 360 degree spin observed over a long period, almost of two centuries. This was done in order to improve the customer services and increase the coverage of the insurance industry. The new players have to formulate strong marketing strategy to compete with the giant of the market (LIC). Product, price, place, and promotional aspects would be their main goals, where pricing of their product would be huge problem for them. The scope of the present paper is restricted to discuss the problems of pricing of insurance products in life insurance arena of our insurance market. For this, initially, three factors have been drawn with the help of Exploratory Factor Analysis (EFA); afterwards to test the significance, one-way ANOVA and student t-test have been applied across demographics (age, gender, qualification, hierarchy, and type of organisation). Analysis reveals that insurance companies should consider customers and their needs while pricing the insurance products and the policy should be flexible. The pricing policy should be integrated part of company's policy.

**Keywords:** Pricing Strategies, Indian Life Insurance, EFA, ANOVA, Hierarchy, Demographics

## Prologue

The basic issues involved in terms of price of insurance products and its impact on growth, stability, security, profitability, and interests of stakeholders and shareholders are identical for both life and non-life insurance sectors of our market. Problems of pricing of products of insurance sector, life insurance in particular have become relatively compared to other commercial-financial service sector products, all the more complex, since insurance sector has to fulfill the role of simultaneously stabilising the unstable characteristics of human society's socio-economic-technological development. Consideration of every constituent aspect of the pricing problem of life insurance product will require comprehensive discussion. The present chapter focuses on such problems of pricing policy in life insurance industry in India is divided into four sections. The first section introduces the topic, second section represents inscription appraisal and research mechanism, third section indicates result discussion and interpretation, and fourth section highlights the concluding remarks.

## Theoretical Framework

Bajpai (1975) observed that life insurance had vast untapped potential in the country in urban and rural areas. The study recommended for reducing the amount of premium to bring social security within the easy reach of the poor. Reduced premiums and effective, efficient, and devoted employees were the need of the hour. The study suggested that the corporation should make direct investment in the rural areas, arrange for finance of small businesses, and solve housing shortage both in rural and urban areas. Rao (1976) critically appraised the operations of the corporation in the light of the objectives of nationalisation. The study found that total business of the LIC had registered substantial growth in

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terms of policies and sum assured, though the growth was not considered satisfactory notwithstanding the fact that the country was still in the early stage of insurance development. The study also highlighted rapid expansion in group insurance business. Rangarajan (1993) concluded in his speech that there is an urgent need for undertaking considerable research in areas such as insurance pricing, identification of risk exposure, loss-behaviour pattern and characteristics of different investors group. There is a general perception that premium charged is high in India because there is no effective competition in the industry. There is also a widespread feeling that procedures for claim are cumbersome and claim payments are effected with considerable delay. Efficient fund management and computer networking for insurance could, to a large extent, take care of procedural and operational problems as well as the issue of pricing of the insurance products.

Thampy and Sitharamu (2002) have provided an estimate of the life insurance potential in India. International comparisons of the life insurance premiums per capita and the life insurance premium as a percent of GDP gives India a low rank in these measures. Given the prospects for economic growth and development in India and given the international experience of positive income elasticity of demand for insurance will lead to considerable growth in life insurance business in India. Rao (2004) concluded that consumer awareness about insures' products, prices, and financial strength is a critical function apart from fact that there is a heavy reliance on competition amongst players for good market performance. As the market is evolving to an emerged, a change in approach is essential to move away from a merit-based regime to a disclosure-based regime. Hasanbanu and Nagajyothi (2007) concluded that there is significant relationship between age, educational qualification, gender, occupation, and income of respondents and their level of investment with taking LIC policies and further concluded that there is no significant relation between marital-status, family type, and family size and their level of investment with taking LIC policies.

Hence, no wide-ranging study has been accomplished on pricing policies in life insurance industry in India. To fill up this gap, present study with following objectives is taken for research.

The objectives taken for the study are:

1) to assess the dimensions of pricing policy in life insurance in India; and
2) to study the difference in opinion of respondents regarding pricing policy in life insurance in India across their demographics.

## Hypothesis

To achieve the aforesaid objectives, the following hypotheses are set:

**$H_{01}$:** The dimensions of pricing policy are not highly related to each other.

**$H_{02}$:** There is no significant difference between the opinions of respondents regarding the dimensions of pricing policy in life insurance in India across their demographic.

**$H_{01}$:** There is no significant difference between the respondents of various age groups regarding the dimensions of pricing policy in life insurance in India.

**$H_{02}$:** There is no significant difference between male and female respondents concerning dimensions of pricing policy in life insurance in India.

**$H_{03}$:** There is no significant difference between the respondents of various qualifications about dimensions of pricing policy in life insurance in India.

**$H_{04}$:** There is no significant difference between the respondents of various hierarchies as regards to dimensions of pricing policy in life insurance in India.

**$H_{05}$:** There is no significant difference between the public company and private companies' respondents regarding dimensions of pricing policy in life insurance in India.

## Research Mechanism

A total of 95 executives at various positions in private as well as public life insurance company are examined during the study. The sample included in the study is drawn from U. T. of Chandigarh, states of Delhi and Haryana. In order to fulfill the said objectives, demographic variables (age, gender, qualification, hierarchy level, type of organisation, and marital status) are included in the study. For primary data collection, structured questionnaire is prepared

which is based on; three-point scale (rarely, sometimes, and regularly/ always).

In order to get the information about pricing strategies of insurance companies, the dimensions shown in Table 1 are developed.

**Table 1: Description of Variables of Pricing Policy**

| | |
|---|---|
| PRC1 | It tells that a pricing policy exists as a part of firm's overall marketing and corporate strategy. |
| PRC2 | It says that life insurance companies think of customers and their needs while fixing the price. |
| PRC3 | It explains that pricing policy is integrated with marketing mix and is under constant review. |
| PRC4 | It expresses the flexibility of pricing policy of insurance companies. |
| PRC5 | It opinioned that insurance company actively seeks to understand the price elasticity that exists in relation to its life policies. |
| PRC6 | It tells that pricing policies pay attention to the existence of various segments in the market. |
| PRC7 | It viewed that company formulated criteria for making price adjustment. |
| PRC8 | It says about the discounting policy used by insurance companies. |
| PRC9 | It states that marketing department is responsibility to fix the price. |
| PRC10 | It explains that the company monitors its pricing performance. |

*Source: Literature Review*

Initially factor analysis is applied to determine the latent factors. Demographic variables age (20-30 years, 30-40 years, and 40 years and above), qualification (graduate, postgraduate, and M. Phil./ Ph. D.) and hierarchy level (junior, middle, and senior) are tested by one-way ANOVA, while rest of demographic variables; gender (male and female) and organisations (public and private companies) is tested by independent sample t-test.

## Result Discussion and Interpretation

Total 95 executives of life insurance companies are investigated to analyse the pattern, nature and process of pricing policy. The responses are coded and tabulated and then analysis is done across age, gender, qualification, hierarchy and organisation. The analysis is divided into two parts viz. descriptive inference and statistical inference. Descriptive inference indicates the frequency distribution while statistical inference laid emphasis on one-way ANOVA and student t-test based on factor analysis.

### Descriptive Inference

Preponderance (38) of 95 respondents belongs to 20-30 years age group, 37 respondents belong to 30-40 years age group, and only 20 respondents belong to 40 years and above age group. Majority of respondents (80 respondents) are male and very few (15 respondents) are female. 36 respondents are graduate, while 33 respondents are postgraduate and 26 are M. Phil./ Ph. D. According to their hierarchy, 25 respondents are juniors, 31 are at middle level and rest (39) are at senior level. Mostly (57 out of 95 respondents) are of public sector and the rest (38 respondents) are of private sector. The results are discussed in Table 2.

**Table 2: Summary Sheet for Respondents across their Demographics**

| Demographic Variables | | PRC1 | | | PRC2 | | | PRC3 | | | PRC4 | | | PRC5 | | | PRC6 | | | PRC7 | | | PRC8 | | | PRC9 | | | PRC10 | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | R | S | R/A | |
| Age (Years) | 20-30 | 22 | 0 | 16 | 4 | 22 | 12 | 14 | 6 | 18 | 18 | 12 | 8 | 10 | 22 | 6 | 14 | 16 | 8 | 8 | 14 | 16 | 22 | 14 | 2 | 2 | 26 | 10 | 4 | 16 | 18 | 38 |
| | 30-40 | 7 | 1 | 29 | 5 | 11 | 21 | 3 | 13 | 21 | 9 | 13 | 15 | 7 | 21 | 9 | 13 | 11 | 13 | 7 | 9 | 21 | 16 | 15 | 6 | 3 | 16 | 18 | 2 | 13 | 22 | 37 |
| | 40 years and above | 2 | 4 | 14 | 2 | 8 | 10 | 2 | 8 | 10 | 4 | 8 | 8 | 0 | 18 | 2 | 2 | 8 | 10 | 2 | 6 | 12 | 8 | 6 | 6 | 6 | 8 | 6 | 0 | 4 | 16 | 20 |
| | Total | 31 | 5 | 59 | 11 | 41 | 43 | 19 | 27 | 49 | 31 | 33 | 31 | 17 | 61 | 17 | 29 | 35 | 31 | 17 | 29 | 49 | 46 | 35 | 14 | 11 | 50 | 34 | 6 | 33 | 56 | 95 |
| Gender | Male | 26 | 5 | 49 | 6 | 36 | 38 | 16 | 20 | 44 | 26 | 28 | 26 | 12 | 54 | 14 | 22 | 31 | 27 | 13 | 25 | 42 | 38 | 28 | 14 | 11 | 45 | 24 | 4 | 29 | 47 | 80 |
| | Female | 5 | 0 | 10 | 5 | 5 | 5 | 3 | 7 | 5 | 5 | 5 | 5 | 5 | 7 | 3 | 7 | 4 | 4 | 4 | 4 | 7 | 8 | 7 | 0 | 0 | 5 | 10 | 2 | 4 | 9 | 15 |
| | Total | 31 | 5 | 59 | 11 | 41 | 43 | 19 | 27 | 49 | 31 | 33 | 31 | 17 | 61 | 17 | 29 | 35 | 31 | 17 | 29 | 49 | 46 | 35 | 14 | 11 | 50 | 34 | 6 | 33 | 56 | 95 |
| Qualification | Graduate | 13 | 0 | 23 | 3 | 18 | 15 | 7 | 12 | 17 | 11 | 12 | 13 | 5 | 24 | 7 | 9 | 16 | 11 | 5 | 14 | 17 | 17 | 17 | 2 | 0 | 18 | 18 | 0 | 12 | 24 | 36 |
| | Postgrad-uate | 6 | 3 | 24 | 0 | 13 | 20 | 2 | 9 | 22 | 8 | 11 | 14 | 4 | 21 | 8 | 10 | 9 | 14 | 4 | 9 | 20 | 15 | 10 | 8 | 7 | 14 | 12 | 0 | 13 | 20 | 33 |
| | M. Phil./ Ph. D. | 12 | 2 | 12 | 8 | 10 | 8 | 10 | 6 | 10 | 12 | 10 | 4 | 8 | 16 | 2 | 10 | 10 | 6 | 8 | 6 | 12 | 14 | 8 | 4 | 4 | 18 | 4 | 6 | 8 | 12 | 26 |
| | Total | 31 | 5 | 59 | 11 | 41 | 43 | 19 | 27 | 49 | 31 | 33 | 31 | 17 | 61 | 17 | 29 | 35 | 31 | 17 | 29 | 49 | 46 | 35 | 14 | 11 | 50 | 34 | 6 | 33 | 56 | 95 |
| Hierarchy | Junior | 6 | 2 | 17 | 1 | 10 | 14 | 2 | 9 | 14 | 8 | 9 | 8 | 4 | 15 | 6 | 8 | 11 | 6 | 2 | 10 | 13 | 12 | 11 | 2 | 4 | 8 | 13 | 0 | 12 | 13 | 25 |
| | Middle | 15 | 2 | 14 | 4 | 17 | 10 | 7 | 8 | 16 | 9 | 12 | 10 | 5 | 26 | 0 | 5 | 14 | 12 | 4 | 9 | 18 | 11 | 12 | 8 | 2 | 23 | 6 | 2 | 11 | 18 | 31 |
| | Senior | 10 | 1 | 28 | 6 | 14 | 19 | 10 | 10 | 19 | 14 | 12 | 13 | 8 | 20 | 11 | 16 | 10 | 13 | 11 | 10 | 18 | 23 | 12 | 4 | 5 | 19 | 15 | 4 | 10 | 25 | 39 |
| | Total | 31 | 5 | 59 | 11 | 41 | 43 | 19 | 27 | 49 | 31 | 33 | 31 | 17 | 61 | 17 | 29 | 35 | 31 | 17 | 29 | 49 | 46 | 35 | 14 | 11 | 50 | 34 | 6 | 33 | 56 | 95 |
| Organisation | Public | 16 | 5 | 36 | 5 | 20 | 32 | 6 | 13 | 38 | 12 | 19 | 26 | 8 | 41 | 8 | 12 | 22 | 23 | 7 | 15 | 35 | 22 | 25 | 10 | 7 | 27 | 23 | 4 | 23 | 30 | 57 |
| | Private | 15 | 0 | 23 | 6 | 21 | 11 | 13 | 14 | 11 | 19 | 14 | 5 | 9 | 20 | 9 | 17 | 13 | 8 | 10 | 14 | 14 | 24 | 10 | 4 | 4 | 23 | 11 | 2 | 10 | 26 | 38 |
| | Total | 31 | 5 | 59 | 11 | 41 | 43 | 19 | 27 | 49 | 31 | 33 | 31 | 17 | 61 | 17 | 29 | 35 | 31 | 17 | 29 | 49 | 46 | 35 | 14 | 11 | 50 | 34 | 6 | 33 | 56 | 95 |

*Source: Field Survey*

*where, R: Rarely, S: Sometimes, R/A: Regularly/Always*

### PRC1

Majority of respondents (59 respondents) are of opinion that life insurance company's pricing policy exists as a part of overall marketing and corporate strategy on regular basis; 31 respondents are of view that pricing policy rarely exists as a part of overall marketing and corporate strategy; and only 5 respondents think that sometimes pricing policy is considered as a part of overall marketing and corporate strategy. Out of 59 respondents, 29 belong to 30-40 years age group, 16 belong to 20-30 years age group, and only 14 belong to 40 years and above age group. Out of 59 respondents, 49 are male and rest (10) are female respondents. 24 respondents are graduate, while 23 are postgraduate and only 12 respondents possesses M. Phil./ Ph. D. Among them 17 are juniors while 14 are at middle level hierarchy and the majority (28) is seniors. According to their type of organisation where they are working, most (36 respondents) are part of public company.

### PRC2

The best part (43) says that life insurance companies think of customers and their need regularly when fixing the price, followed by 41 respondents, who think that company sometimes consider customer need while fixing the price, and only 11 respondents say that the life insurance companies rarely consider customer and their need while fixing the price. Out of 43 respondents, 21 belong to 30-40 years age group, followed by 12 respondents who belong to 20-30 years age group, and only 10 belong to 40 years and above age group. Among them 38 are males and 5 are females. According to their qualification, 15 are graduate while mostly (20) are postgraduate and the rest (only 8) are M. Phil./ Ph. D. Hierarchy wise, 14 are at junior level, 10 are at middle level, and majority part (19) is at senior positions. Type of organisation says that 32 respondents are of public sector and 11 are of private sector.

### PRC3

The bulk (49) of respondents thinks that pricing policy is considered as integrated part of marketing mix and the role of price in the mix is under constant review, 27 respondents say that role of price under the mix is considered sometimes whereas only 19 respondents deny to consider price as an integrated part of mix policy. Out of 49 respondents, 21 belong to 30-40 years age group, 21 belong to 20-30 years, and only 10 belong to 40 years and above age group. According to their gender, most of them (44) are male. Qualification wise analysis stated that 17 respondents are graduate while major part (22 respondents) is postgraduate and 10 respondents are M. Phil./ Ph. D. Hierarchy of respondents states that 14 are junior, 16 are at middle level, and high part (19) is at senior level. Majority (38) of them belong to public sector.

### PRC4

Mainstream (33) are of opinion that pricing policy of life insurance companies seems sometimes to be flexible, 31 respondents think that pricing policy of company is always flexible and rest (31 respondents) deny that life insurance companies do not change the price of policy. Out of 33 respondents, 13 belong to 30-40 years age group, 12 belong to 20-30 years age group and rest (8) belongs to 40 years and above age group. Gender wise analysis states that 28 respondents are male and rest (only 5) are female. As per their qualification, 12 respondents are graduate while almost equal part (11) is postgraduate and M. Phil./ Ph. D. are 10. According to their hierarchy in the company, 9 respondents are juniors while an equal part (12) is of middle level and of senior level respectively. The nature of the organisation where the respondents associated states that 19 respondents are from LIC and the rest (14) are from private companies.

### PRC5

Accumulated part (61 respondents) is of opinion that sometimes the life insurance companies actively understand the level of price elasticity in relation to life policies, 17 out of 95 respondents are of view that price elasticity always forms a significant basis for formulating pricing strategy for life policies and rest (17 respondents) deny to incorporate such basis for pricing a life policy. Out of 61 respondents, 22 belong to 20-30 years age group, 21 belong to 30-40 years age group, and rest (18) belong to 40 years and above age group. Analysis further reveals that majority part (54) is male. Qualification wise analysis reveals that 24 respondents are graduate while 21 respondents are postgraduate and 16 respondents are M. Phil./ Ph. D. Among them 15 employees are juniors while 26 employees are of middle level and the rest (20) are

seniors. Predominant part (41 respondents) is of public company.

### PRC6

The better part (35 respondents) says that sometimes, pricing policy for life policy pay attention to the existence of various segments in the market, 31 respondents say that the attention to be paid to the existence of various segment regularly, and only 29 respondents deny to consider segmentation by life insurance companies. Out of 35 respondents, 16 belong to 20-30 years age group, 11 belong to 30-40 years age group, and rest (8) belong to 40 years and above age group. 31 respondents are male and only 4 respondents are female. There are 16 graduate and 9 postgraduate respondents. Amongst them 11 respondents are junior while 14 respondents are at middle level. 22 respondents belong to public company and 13 respondents belong to private companies.

### PRC7

The best part (49 respondents) thinks that life insurance companies regularly formulates criteria for making price adjustments, 29 respondents believe that sometimes prices are adjusted, and rest (17 respondents) deny the policy for price adjustments. Out of 49 respondents, 21 belong to 30-40 years age group, 16 belong to 20-30 years age group, and rest (12) belong to 40 years and above age group. Among them major part (42 respondents) is male. According to their qualification, 17 respondents are graduate, mostly (20 respondents) are postgraduate and the rest (12 respondents) are M. Phil./ Ph. D. Hierarchy wise analysis divulges that 13 respondents are junior while an equal number of respondents (18) are at middle level and senior level respectively. The highest part (35 respondents) is associated with public company.

### PRC8

Mostly (46 respondents) deny using discount criteria while 35 respondents believe that sometimes the discounting criteria is used and rest (14 respondents) believe that the company uses discount criteria on regular basis. Out of 46 respondents, 22 belong to 20-30 years age group, 16 belong to 30-40 years age group, and rest (8) belong to 40 years and above age group. Among them, predominant part (38) is male and only 8 respondents are female. According to their qualification, 17 respondents are graduate, 15 respondents are postgraduate, and rest are M. Phil./ Ph. D. Hierarchy wise, 12 respondents are junior while 11 respondents are at middle level and highest part (23 respondents) is at senior level. Organisation wise, 24 respondents (major part) belong to private companies.

### PRC9

A good number (50 respondents) believes that sometimes marketing department fixes the price, 34 respondents say that marketing department with a wide functional participation on regular basis set the price, and rest (11 respondents) deny the involvement of marketing department. Out of 50 respondents, 26 belong to 20-30 years age group, 16 belong to 30-40 years age group, and rest (8) belong to 40 years and above age group. 45 are male respondents and only 5 are female respondents. Furthermore, 18 and 14 respondents are graduate and postgraduate respectively. Amongst them, 8 respondents are junior while 23 respondents are at middle level and the rest (19 respondents) are senior. Organisation wise, 27 respondents belong to public company and rest (23) belong to private companies.

### PRC10

The main part (56 respondents) believes that life insurance companies monitor its pricing performance continuously, 33 respondents think that the performance is monitored sometimes and rest (6 respondents) deny that there is no performance check on pricing policy. Out of 50 respondents, 22 belong to 30-40 years age group, 16 belong to 40 years and above age group, and rest (16) belong to 20-30 years age group. Gender wise, 47 respondents are male. According to their qualification, 24 are graduate respondents while 20 are postgraduate respondents. Hierarchy wise, 13 respondents are at junior level and 18 respondents are at middle level. According to their type of organisation, 30 respondents belong to public company and rest (26 respondents) belong to private companies.

## Statistical Inference

### Relationship between the Dimensions of Pricing Strategies

**Table 3: Correlation for the Dimensions of Pricing Policy**

| *Variables* | *PRC1* | *PRC2* | *PRC3* | *PRC4* | *PRC5* | *PRC6* | *PRC7* | *PRC8* | *PRC9* | *PRC10* |
|---|---|---|---|---|---|---|---|---|---|---|
| PRC1 | 1 | .582(**) | .682(**) | .702(**) | .645(**) | .506(**) | .336(**) | .322(**) | 0.162 | .579(**) |
| PRC2 | .582(**) | 1 | .773(**) | .599(**) | .443(**) | .498(**) | .578(**) | .429(**) | 0.103 | .411(**) |
| PRC3 | .682(**) | .773(**) | 1 | .730(**) | .493(**) | .513(**) | .702(**) | .598(**) | .203(*) | .311(**) |
| PRC4 | .702(**) | .599(**) | .730(**) | 1 | .348(**) | .804(**) | .444(**) | 0.181 | .465(**) | .383(**) |
| PRC5 | .645(**) | .443(**) | .493(**) | .348(**) | 1 | 0.111 | 0.138 | 0.147 | -0.191 | .517(**) |
| PRC6 | .506(**) | .498(**) | .513(**) | .804(**) | 0.111 | 1 | .458(**) | 0.16 | .360(**) | .518(**) |
| PRC7 | .336(**) | .578(**) | .702(**) | .444(**) | 0.138 | .458(**) | 1 | .686(**) | 0.198 | .341(**) |
| PRC8 | .322(**) | .429(**) | .598(**) | 0.181 | 0.147 | 0.16 | .686(**) | 1 | -0.097 | .283(**) |
| PRC9 | 0.162 | 0.103 | .203(*) | .465(**) | -0.191 | .360(**) | 0.198 | -0.097 | 1 | 0.13 |
| PRC10 | .579(**) | .411(**) | .311(**) | .383(**) | .517(**) | .518(**) | .341(**) | .283(**) | 0.13 | 1 |

*Source: Field Survey*

** Correlation is significant at the 0.05 level (2-tailed).*

*** Correlation is significant at the 0.01 level (2-tailed).*

In order to understand the relationship between various dimensions of the pricing policies of insurance companies correlation coefficients are computed. Table 3 depicts the relationship between the various dimensions of pricing strategies formulated by life insurance companies. The level of significance is $p<0.05$ to $p<0.01$. From Table 3, it can be concluded that PRC 1 is positively related with PRC 2, PRC 3, PRC 4, PRC 5, PRC 6, PRC 7, PRC 8, and PRC 10. The level of significance is $p<0.01$.

There is no correlation between PRC 1 and PRC 9. PRC 2 is positively correlated with PRC 1, PRC 3, PRC 4, PRC 5, PRC 6, PRC 7, PRC 8, and PRC 10 at significant level $p<0.01$. There is no correlation between PRC 2 and PRC 9. PRC 3 is positively correlated with all rest of nine variables. The level of significance ranges between $p< 0.05$ to $p<0.01$. PRC 4 is positively correlated with PRC 1, PRC 2, PRC 3, PRC 4, PRC 5, PRC 6, PRC 7, PRC 9, and PRC 10 at significant level $p<0.01$. Further PRC 5 is positively correlated with PRC 1, PRC 2, PRC 3, PRC 4 and PRC 10 at significant level $p<0.01$ where as PRC 6 is positively correlated with PRC 1, PRC 2, PRC 3, PRC 4, PRC 7, PRC 9, and PRC 10 at significant level $p<0.01$. PRC 7 shows positive relation with PRC 1, PRC 2, PRC 3, PRC 4, PRC 6, PRC 8, and PRC 10 at significant level $p<0.01$. PRC 8 reflect positive relation with PRC 1, PRC 2, PRC 3, PRC 7, and PRC 10 at significant level $p<0.01$. PRC 9 have positive relation with PRC 3, PRC 4 and PRC 6 at significant level ranges between $p< 0.05$ to $p<0.01$. Lastly, PRC 10 is positively related with all rest dimensions of pricing policy except PRC 9. In general sense, it is concluded that if one variable is increasing it would lead to increase in other positively correlated variables.

Hence 1st null hypothesis i.e. all the dimensions of pricing policy are not highly related to each other, is not accepted. All the dimensions are found highly related to each other.

## Interpretation of Factor Analysis for Dimensions of Pricing Policy

**Table 4: Rotated Factor Matrix**

| *Variables* | *Analytical Pricing Policy* | *Integrated Pricing Policy* | *Developing Pricing Policy* |
|---|---|---|---|
| PRC1 | 0.809666749 | | |
| PRC2 | | 0.589696339 | |
| PRC3 | | 0.716218801 | |
| PRC4 | | | 0.738702704 |
| PRC5 | 0.910348939 | | |
| PRC6 | | | 0.7459683 |
| PRC7 | | 0.871705745 | |
| PRC8 | | 0.901849776 | |
| PRC9 | | | 0.845136808 |
| PRC10 | 0.685618946 | | |
| Eigen Value | 4.932375444 | 1.515715356 | 1.337549101 |
| Pact of Variance | 49.32375444 | 15.15715356 | 13.37549101 |
| Cumulative Pact | 49.32375444 | 64.4809080 | 77.85639902 |
| Extraction Method: Principal Component Analysis. | | | |
| Rotation converged in 4 iterations. | | | |

*Source: Field Survey*

After calculating high relationship between the variables of pricing policy, Factor analysis is carried out to investigate the linear relationship of some underlying factors. Table 4 provides the output of the factor analysis for this problem, the rotated factor matrix comprising all ten variables, the percent of variance, cumulative percent of variance and the eigen values of all factors having eigen values of 1 or more than 1.

Total three factors are extracted out of 9 original variables having the eigen values 4.932375444, 1.515715356 and 1.337549101. These 3 extracted factors together account for 77.85639902 percent of cumulative variance. It means total 78 percent (Table 4) information is retained by these 3 extracted factors and only 22 percent information is lost. It is noticed that Factor 1 is combination of three original variables (PRC 1, PRC 5, and PRC 10) have loading of 0.80966679, 0.910348939 and 0.68561896 on Factor 1. Keeping in view the nature of these variables, the name for Factor 1 could be analytical pricing policy. The Factor 2 extracted is combination of four original variables (PRC 2, PRC 3, PRC 7, and PRC 8) have loading of 0.589696339, 0.716218801, 0.871705745, and 0.901849776 on Factor 2. Thus, the name for Factor 2 could be Integrated Pricing Policy. The Factor 3 extracted is combination of PRC 4, PRC 6 and PRC 9 (three original variables) have loading of 0.738702704, 0.7459683, and 0.845136808 on Factor 3. For this reason, the name for this factor could be developing pricing policy. Analytical pricing policy is found as most contributing factor followed by rest of two factors.

## Test of Significance across Demographics

After identifying the dimensions of pricing policy of life insurance One-way ANOVA and student t-test is applied to test the significance of extracted factors/ dimensions.

## Age-wise Analysis by Applying One-way ANOVA

**Table 5: One-way ANOVA for Age-wise Analysis of Executive Respondents**

| Factors | Age | N | Mean | Std. Deviation | F Value | Sig. Level |
|---|---|---|---|---|---|---|
| Analytical Pricing Policy | 20-30 Years | 38 | 2.036 | 0.658 | 5.450 | 0.006 |
| | 30-40 Years | 37 | 2.397 | 0.609 | | |
| | 40 Years and above | 20 | 2.502 | 0.351 | | |
| Integrated Pricing Policy | 20-30 Years | 38 | 2.000 | 0.637 | 2.215 | 0.115 |
| | 30-40 Years | 37 | 2.257 | 0.597 | | |
| | 40 years and above | 20 | 2.300 | 0.637 | | |
| Developing Pricing Policy | 20-30 Years | 38 | 1.930 | 0.606 | 2.016 | 0.139 |
| | 30-40 Years | 37 | 2.190 | 0.636 | | |
| | 40 years and above | 20 | 2.201 | 0.652 | | |

*Source: Field Survey*

Table 5 depicted that the mean values for Factor 1 (analytical pricing policy) are 2.036, 2.397 and 2.502 with values of S.D. 0.658, 0.609 and 0.351 respectively for the respondents of age group of 20-30, 30-40 and 40 years and above. The value of F is 5.450 at 0.006 significant levels. To conclude, it can be said that there is significant difference (the value of significant level for F-test is less than 0.05) between the opinions of respondents of various age groups regarding analytical pricing policy. The mean values for Factor 2 (integrated pricing policy) are 2.000, 2.257, and 2.300 with S.D. 0.637, 0.597, and 0.637 respectively. The value of F is 2.215 at 0.115 significant levels. To sum up, it can be extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents of various age groups. The mean values for Factor 3 (developing pricing policy) are 1.930, 2.190, and 2.201 with values of S.D. 0.606, 0.636, and 0.652 respectively for the respondents of various age groups. The F value is 2.016 at 0.139 significant levels. To fathom out, it can be extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents of various age groups.

## Gender-wise Analysis by Applying t-test

**Table 6: t-test or Gender-wise Analysis of Executive Respondents**

| Factors | Gender | N | Mean | Std. Deviation | t Value | Sig. (2-tailed) |
|---|---|---|---|---|---|---|
| Analytical Pricing Policy | Male | 80 | 2.284 | 0.587 | 0.351 | 0.726 |
| | Female | 15 | 2.223 | 0.765 | | |
| Integrated Pricing Policy | Male | 80 | 2.203 | 0.637 | 1.438 | 0.154 |
| | Female | 15 | 1.950 | 0.561 | | |
| Developing Pricing Policy | Male | 80 | 2.076 | 0.632 | -0.444 | 0.658 |
| | Female | 15 | 2.155 | 0.665 | | |

*Source: Field Survey*

Table 6 reveals that the mean value for male and female respondents for mix ingredients is 2.284 and 2.223 with the value of S.D. 0.587 and 0.765 respectively. The value of t-test is 0.351 at 0.726 significant levels. In simple words, it is concluded that mean difference between the male and female respondents regarding analytical pricing policy is not significant (the value of significant level for t-test is greater than 0.05). The mean value for integrated pricing policy is 2.203 and 1.950 with S.D. 0.637 and 0.561 respectively for both male and female respondents.

The t-value is 1.438 at 0.154 significant level. To sum up, it can be extracted that there is no significant difference (the value of significant level for t-test is greater than 0.05) between the opinions of male and female respondents.

Lastly, the value of mean for male and female respondents regarding developing pricing policy are 2.076, 2.155 with S.D 0.632 and 0.665 respectively. The t-value is -0.444 at 0.658 significant levels. To abstract, it can be extracted that the difference between the opinions of male and female respondents is not significant (the value of significant level for t-test is greater than 0.05).

## Qualification-wise Analysis by Applying One-way ANOVA

**Table 7: One-way ANOVA for Qualification-wise Analysis of Executive Respondents**

| *Factors* | *Qualification* | *N* | *Mean* | *Std. Deviation* | *F Value* | *Sig. Level* |
|---|---|---|---|---|---|---|
| Analytical Pricing Policy | Graduate | 36 | 2.334 | 0.542 | 3.986 | 0.022 |
| | Post-Graduate | 33 | 2.425 | 0.543 | | |
| | M Phil. / Ph. D. | 26 | 2.001 | 0.719 | | |
| Integrated Pricing Policy | Graduate | 36 | 2.132 | 0.536 | 3.643 | 0.030 |
| | Post-Graduate | 33 | 2.371 | 0.563 | | |
| | M Phil. / Ph. D. | 26 | 1.942 | 0.756 | | |
| Developing Pricing Policy | Graduate | 36 | 2.205 | 0.564 | 2.785 | 0.067 |
| | Post-Graduate | 33 | 2.152 | 0.703 | | |
| | M Phil. / Ph. D. | 26 | 1.845 | 0.591 | | |

*Source: Field Survey*

The respondents of various qualifications regarding analytical pricing policy (graduate, postgraduate, and M. Phil./ Ph. D.) have means values 2.334, 2.425 and 2.001 with S.D. 0.542, 0.543 and 0.719 respectively. The F-value is 3.986 at 0.022 significant levels. To fathom out, it is said that the opinion of respondents of various qualifications is significantly different (the value of significant level for F-test is less than 0.05) regarding analytical pricing policy.

The mean value for respondents of various qualifications regarding integrated pricing policy is 2.132, 2.371, and 1.942 with S.D. 0.536, 0.563 and 0.756 respectively. The value of F is 3.643 at 0.030 significant levels. In concrete terms, it can be abstracted that respondents of various qualifications have different opinion (the value of significant level for F-test is less than 0.05) regarding integrated pricing policy. The mean values for developing pricing policy are 2.205, 2.152, and 1.845 with the values of S.D. 0.564, 0.703, and 0.591 respectively for the respondents of various qualifications. The F-Value is 2.785 at 0.067 level of significant. It can be interpreted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents of various qualifications regarding developing pricing policy.

## Hierarchy-wise Analysis by Applying One-way ANOVA

**Table 8: One-way ANOVA for Hierarchy-wise Analysis of Executive Respondents**

| *Factors* | *Hierarchy* | *N* | *Mean* | *Std. Deviation* | *F Value* | *Sig. Level* |
|---|---|---|---|---|---|---|
| Analytical Pricing Policy | Junior | 25 | 2.347 | 0.550 | 1.696 | 0.189 |
| | Middle | 31 | 2.109 | 0.575 | | |
| | Senior | 39 | 2.360 | 0.670 | | |
| Integrated Pricing Policy | Junior | 25 | 2.260 | 0.497 | 0.861 | 0.426 |
| | Middle | 31 | 2.210 | 0.662 | | |
| | Senior | 39 | 2.064 | 0.678 | | |
| Developing Pricing Policy | Junior | 25 | 2.095 | 0.641 | 0.133 | 0.876 |
| | Middle | 31 | 2.130 | 0.507 | | |
| | Senior | 39 | 2.051 | 0.728 | | |

*Source: Field Survey*

The mean values for junior, middle and senior level respondents regarding analytical pricing policy are 2.347, 2.109 and 2.360 with the S.D. 0.550, 0.575 and 0.670 respectively. The F-value is 1.696 at 0.189 level of significant. In general sense, it can be extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents of various hierarchies regarding analytical pricing policy. The mean value for integrated pricing policy is 2.260, 2.210 and 2.064 with S. D. 0.497, 0.662 and 0.678 respectively, for junior, middle and senior level respondents. The F-value is 0.861 at 0.426 significant levels. In general sense, it can be extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents of various hierarchies regarding integrated pricing policy.

The mean value for developing pricing policy is 2.095, 2.130 and 2.051 with S. D. 0.641, 0.507 and 0.728 respectively, for junior, middle, and senior level respondent. The F-value is 0.133 at 0.876 significant levels. To abstract, it can be extracted that there is no significant difference (the value of significant level for F-test is greater than 0.05) between the opinions of respondents of various hierarchies regarding developing pricing policy.

## Organisation-wise Analysis by Applying t-test

**Table 9: t-test tor Organisation-wise Analysis of Executive Respondents**

| *Factors* | *Organisation* | *N* | *Mean* | *Std. Deviation* | *t Value* | *Sig. (2-tailed)* |
|---|---|---|---|---|---|---|
| Analytical Pricing Policy | Public | 57 | 2.271 | 0.587 | -0.081 | 0.935 |
| | Private | 38 | 2.281 | 0.662 | | |
| Integrated Pricing Policy | Public | 57 | 2.329 | 0.598 | 3.307 | 0.001 |
| | Private | 38 | 1.914 | 0.599 | | |
| Developing Pricing Policy | Public | 57 | 2.241 | 0.620 | 2.989 | 0.004 |
| | Private | 38 | 1.859 | 0.593 | | |

*Source: Field Survey*

The mean value for the public and private organisations is 2.271 and 2.281 with S.D. 0.587 and 0.662 respectively for analytical pricing policy. The t value is -0.081 at 0.935 significant levels where as the mean value regarding integrated pricing policy is 2.329 and 1.914 with S.D. 0.598 and 0.599 respectively for respondents of public and private companies. The value of t is 3.307 at 0.001 significant levels. There is significant difference (the value of significant level for F-test is less than 0.05) between the opinions of respondents of public and private companies regarding integrated pricing policy.

Further, the mean values for developing pricing policy are 2.241 and 1.859 with S.D. 0.620 and 0.593 respectively for respondents of public and private companies. The t value is 2.989 at 0.004 levels of significance. To abstract, it can be extracted that there is significant difference (the value of significant level for F-test is less than 0.05) between the opinions of respondents of public and private companies regarding developing pricing policy.

The 2nd null hypothesis i.e. there is no significant difference between the respondents regarding the dimensions of pricing policy in life insurance in India across their demographics, is partially accepted on the basis of following results.

The respondents of age group of 20-30 years, 30-40 years, and 40-and above years are opined differently regarding analytical pricing policy (factor 1) (ref. Table 5).

The graduate, postgraduate and M. Phil/ Ph. D. respondents show different opinion regarding analytical and integrated pricing policy (factor1 and factor 2 respectively) (ref. Table 7).

The respondents of public and private companies thinks differently regarding integrated and development pricing policy (factor 2 and factor 3 respectively) (ref. Table 9).

## Conclusion and Implications of the Study

The main findings of the study are as follows:

It is found that the opinion of respondents of various age groups as well as qualification is different regarding analytical pricing policy (ref. Tables 5 & 7). The respondents of age group of 40 and above and postgraduate respondents think more than the other age group and qualification that a pricing policy should exist as a part of firm's overall marketing and corporate strategy. And, insurance company should understand the price elasticity that exists in relation to its life policies. They also opined that the company should monitor its pricing performance.

The insurance companies should do work in this direction. Less elastic policies must be reviewed and altered, if possible. If not possible, that kind of policies should be removed from the market. Analysis further reveals that the respondents of public and private companies and graduate, post graduate and M. Phil/Ph. D. respondents have different opinion regarding integrated pricing policy and developing pricing policy (ref. Tables 7 & 9). The executives of public company and postgraduate respondents believed that LIC more emphasized on customers and their needs while fixing the price. In LIC, pricing policy is integrated with marketing mix and under constant review.

They further viewed that public company has already formulated criteria for making price adjustment. The analysis revealed that LIC applies the discounting policy. The private life insurance companies should actively involve customers to review the pricing, distributing and promoting the life insurance policies. Price adjustment formulas must be reviewed and revised time to time. The private life insurance companies should formulate new formulas too compatible with the changed environment. Somehow it is felt that customers are not well aware of these formulas and discounting policy offered by companies. There should be more transparency in the system so that private companies would be able to compete with LIC and gain trust of customers. The executives of private and public company opined that public insurance company has flexible pricing policy and marketing department has responsibility to fix the price. The private insurance companies should have such flexible pricing policies. Some department must be assigned responsibility to fix the price for sure execution.

## Significance of the Study

This study would help the customers about the pricing policy and their fixation base. This would make customers more aware about the insurance companies. This further would help the private insurance companies to formulate sound pricing strategy. This would help them to cater the market. The private companies would be able to compete with LIC more effectively and able to gain the trust of the customers by making the system more transparent. This would narrow down the gap between customers and companies.

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