

A STUDY ON POLICYHOLDERS SATISFACTION WITH REFERENCE TO LIFE INSURANCE CORPORATION OF INDIA, THANJAVUR DIVISION

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Abstract

Customer service is an integral part of life insurance organization. It is necessary to identify the key success factors in life insurance industry, in terms of customer satisfaction so as to survive in intense competition and increase the market share. Increasing market competition, heightened customer service expectations and the need to build competencies that stand out from the competition are some of the key challenges facing the insurance industry today. In response, insurance companies are expanding and enhancing offerings, and searching for new customer segments. They're focusing on better servicing of existing customers by improving response times and improving the exchange of information. All of these efforts require that insurance companies do a better job of sharing information across business units that traditionally have been isolate. The study is based on 300 insurance customers from Thanjavur Division of India. This study emphasizes the role of technology to improve quality and hence customer satisfaction. The study intends to promote a better theoretical understanding and recognition of the complexities to service quality and its measurement with respect to life insurance.

Keyword: Challenges, customer, Life Insurance

Introduction

The business of insurance is related to the protection of the economic value of assets. Every asset has a value. The assets have been created through the efforts of the owner who expects to get value out of them, when unexpected events take place. The benefits may be in the form of compensation. Insurance is a mechanism that helps to reduce the effects of adverse situations and indemnity to the insured for any loss incurred. Insurance is a social device whereby the risks of individuals may be minimized

and security is provided to them by the insurance companies either one time contribution or periodical contributions.

In India, Insurance is a flourishing industry, with several national and international players competing and growing at rapid rates. Thanks to reforms and the easing of policy regulations, the Indian Insurance sector has been allowed to flourish and as Indians become more familiar with different insurance products, this growth can only increase; the period from 2010 - 2015 projected to be the 'Golden Age' for the Indian Insurance industry. According to a Forrester survey, 88% of the Life insurance executives responding, identified agents as the primary channel of distribution.

In the new economic reality of globalization, insurance companies face a dynamic global business environment. Radical changes are taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with new risk situations, and unconventional and innovative ideas on customer service. Low growth rates in developed markets, changing customer needs, and the uncertain economic conditions in the developing world are exerting pressure on insurer's resources while testing their ability to survive. The existing insurers are facing difficulties from non-traditional competitors who are entering the retail market with new approaches and through new channels. The rapidly changing economic scene, the political attitude, social values and structures, cultural patterns, developments in Information Technology have transformed life styles in urban and rural areas. Their cumulative impact introduces elements of uncertainty in the possible developments in all sectors. At the same time Insurance industry does not remain untouched. Development in other parts of the world, which is witnessing sweeping changes in terms of convergence of financial and insurance markets through bank assurance, replacement of reinsurance contracts by financial instruments, sales of insurance through unconventional distribution channels and consolidation through merger and acquisitions will also have their impact on the Indian Insurance industry. Till the year 2000, the Insurance industry was a government monopoly. It is now experiencing cut-throat competitions because, a number of players have entered into the Indian market in the form of joint ventures with Indian private sector partners. Consequently, Indian Insurance industry is closely integrated with world economy thereby making it imperative for insurance companies to operate outside national boundaries. During the long monopoly regime, the government attempted minor changes in the procedures without going into the root cause. The deregulation requires the comprehensive changes in the character and basic policies of the industry. Increasing market competition, heightened customer service expectations and the need to build competencies that stand out from the competition are some of the key challenges facing the insurance industry today. In response, insurance companies expand and enhance offers, and searching for new customer segments. They're focusing on better servicing of existing customers by improving response times and improving the

exchange of information. All of these efforts require that insurance companies do a better job of sharing information across business units that traditionally have been isolated.

Irrespective of large number of products which are in the insurance sectors, the success and failure finally remains in the hand of the customer who is undisputedly is the "king". Customers' satisfaction of insurance should aim at customer delight in the present context.

Importance of the Study

Consumers' satisfaction is the major focus of any marketer, whether marketing tangible products or intangible services. Life insurance, as a service and intangible in nature could be sold, only if the buyers are satisfied with the service. How far the customers are satisfied or to what extent customers can be delighted? These are the concerns of the insurance providers. By understanding the level of consumers satisfaction, the marketer can take measures, to retain the existing ones and to secure fresh customers, Hence this study in detail way, to find out the extent of satisfaction of policyholders of Life Insurance Corporation.

Statement of the Problem

Insurance sector, as a whole has contributed to the development of economy through generation of employment opportunities, acceleration of industrial growth etc. Although Life insurance Corporation of India has its own significance and place in the economy, it is not free from problems. Customer satisfaction is the true differentiator for the success of any business and is more so in insurance, where the products are perceived to be intangible. The three main aspects i.e. awareness level, service quality, satisfaction level of policyholders. Studying the policyholders behaviour and analyzing the existing marketing strategies of LIC of India with reference to various products offered by the company along with plans and policyholders satisfaction will be of social relevance in the present context.

Objectives of the Study

1. To identify the reasons to switch' over from LIC to other companies.
2. To identify the satisfaction level between rural and urban customers.

Hypothesis

1. The level of satisfaction between rural and urban customers do not differ Significantly.

Scope and significance of the Study

The scope of the study lies in finding out the perception of customers in Thajavur Division, The study will be able to reveal the preferences, needs, satisfaction of the

customers regarding the insurance services, It also help insurance to know whether the existing products or services are offering really satisfying the customers' needs. Through responses taken by 300 policyholders during a period of five years and highlighting the key areas which require some concern on part of LIC of India and improving upon which the company may strengthen its customer base. The present study, analysis, findings, suggestions and conclusion proposed by the present researcher will be of immense use for future researcher with similar studies in insurance market. High quality products with quality support services both in terms of international standards and competitiveness have entered into our country. Customer satisfaction has emerged as the key differentiator and defining attribute. The study is very much significant because it brings out the differences in various parameters like awareness level, service quality, satisfaction level of policyholders investment products of LIC and these are the main attributes to build up the customer perception and loyalty towards a company. The study is significant because it will help LIC to create a positive impact on its customers by working on its lacking qualities.

Research Methodology

Sampling design

The universe for the study is comprised of the policyholders of LIC in Thanjavur Division. The sample, policy holders were picked from sample frame, listed by the three branch managers and five agents. The sample was then grouped as urban and rural clusters. In each cluster, a sample of 150 policyholders were approached at the convenience of the researcher and the policyholders. The necessary data were collected from the 300 policyholders in all.

Area of the Study

The location selected is at Thanjavur Division in Tamilnadu.

Research design

The Researcher used convenience Descriptive Research Design to study the service quality, awareness level, satisfaction level and its key dimensions in life insurance sector. The questionnaire was divided into two sections. In the first part information related to different socio-economic and demographic criteria like income, age, profession, educational qualification, etc were collected. In the second part, respondents were asked to evaluate parameters on awareness level, satisfaction level, service quality, relevant to insurance product of LIC on a 5 point scale ("strongly agree" to "strongly disagree").

Specially, these service quality aspects were identified by a detailed exploratory identification process. This includes two focus group discussions with 300 (Rural and urban) life insurance policyholders and eight in-depth interviews (three with branch

managers and five with agents of LIC). Content analysis of focus group discussions and depth interviews were performed.

Data Collection

The study is mainly based on primary data collected from the field survey using *pre-tested* questionnaire. Secondary data were collected from various sources such as journals, magazines, publications and various websites including the official websites of IRDA & LIC. The published research reports and market studies also helped the researcher to probe into the problem.

Data Evaluation

The data collected were not simply accepted as it contained unnecessary information and over or under emphasized facts. Therefore only relevant data were included in the report, which helped in achieving the objectives of the project.

Statistical tools used

The collected data have been consolidated, tabulated and analyzed by using relevant statistical tools like, Standard Deviation, Factor Analysis, Correlation, One Way ANOVA, Perceptual Mapping and Henry Garret Ranking Method. The SPSS 16 package was utilized for analyzing the data. The interpretation of the study is done by using tables, graphs and charts to give meaningful results

Level of Significance

After examining the construct validity of the instrument, the data was collected, tabulated, processed and analyzed with reference to each of the specific objectives, with the help of appropriate tools of analysis. All tests were conducted for ten percent level, five percent level and one percent level of significance. Analysis made to meet the purpose of each of the specific objectives and test the hypotheses

Analysis and Interpretation

Reason for switching over to other Private LIC companies










Reason for switching over to other Private LIC companies

S.No.	Attributes	Garret Score	Mean Score	Rank
1	Low Premium	3654	58.00	2
2	High risk coverage	3536	56.13	3
3	High Return	3662	58.13	1
4	Change for growth	3022	47.97	4
5	Higher advertisement	1939	30.78	5

Sources: *Primary Data*

Henry Garret Ranking Method is used out of 300 policy holders, 65 policy holders have viewed they consider to switch over to Life Insurance Policies in private companies in future due to high return (Garret score is 3662), the highest score is 58.13, 1 rank for high return, and the lowest rank is 30.78, the least rank selected by the respondent is higher advertisement. It can be inferred from the above table presents that anything high return is the main reason for most of the respondents for switching over to other insurance company when compared to other attributes like low premium, growth, high advertisement etc.

To identify the satisfaction level between rural and urban customers

Dependent Variables	Level		Statistics			
	Location	N	Mean	Std. Dev.	F Value	Sig.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
The policy period opted by you (Term Period)	Rural	150	3.93	0.724	3.74	 0.05
	Urban	150	4.10	0.825		
	Total	300	4.01	0.78		
The requirement in the application form (Data Details)	Rural	150	3.49	0.784	10.58	 0.00
	Urban	150	3.79	0.813		
	Total	300	3.64	0.81		
The help provided by agents at the time of filling application	Rural	150	3.55	0.728	6.37	 0.01
	Urban	149	3.78	0.812		
	Total	299	3.67	0.78		
The risk coverage aspects at the time of filling application	Rural	149	3.44	0.738	4.07	 0.04
	Urban	150	3.63	0.886		
	Total	299	3.53	0.82		
The help of agents in processing.	Rural	149	3.42	0.839	3.93	 0.05
	Urban	148	3.61	0.830		
	Total	297	3.51	0.84		
The response of officials at the time of processing.	Rural	143	3.45	0.802	2.82	 0.09
	Urban	149	3.62	0.920		
	Total	292	3.53	0.87		
Opinion about the insurance ceiling fixed by the agency	Rural	138	3.33	0.849	7.81	 0.01
	Urban	146	3.61	0.817		
	Total	284	3.48	0.84		
Opinion about the bonus amount added.	Rural	122	3.28	0.763	5.39	 0.02
	Urban	143	3.52	0.933		
	Total	265	3.41	0.87		
Opinion about the risk coverage aspects	Rural	122	3.43	0.843	3.12	 0.08
	Urban	140	3.63	0.924		
	Total	262	3.54	0.89		

Note: Non significant is not shown in the result. Green traffic indicating for 1% level sig. Yellow Colour indicating 5% level of sig. & Red Colour indicating 10% level of sig.

The research hypothesis is to prove that, the following important variables are statistically significant. To identify the relative differences between rural and urban customers while selecting the LIC policy 24 factors are used. Out of 24 factors 9 factors have significant relationships. The factors are policy period opt by customer (10%), requirement in the application form (1%), help provided by agents at the time filling the application (5%), risk coverage at the time of filling application (5%), help of agent

in processing (5%), official response (10%), insurance ceiling(1%), bonus amount added (5%), risk coverage aspects (10%). Among these 9 factors “requirement in the application form” has high F value i.e. 10.58 among these factors category urban has high mean score. The factors that are not significant is not shown in the table.

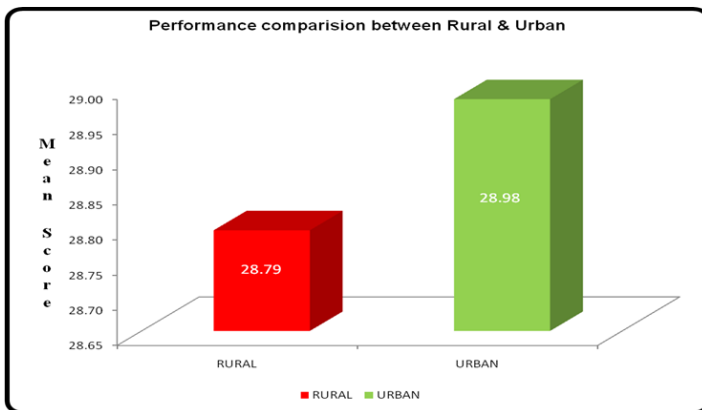
All the above 9 variables discussed in detail with the data from senior executive from different organization of LIC have one common revelation that a requirement to bridge the gap of the variables by approaching different modules between rural and urban customer.

The level of satisfaction between rural and urban customers do not differ Significantly

S.No.	Category	No.	Mean	SD	df	t-value
1.	Rural	150	28.793	4.632	298	-0.335**
2.	Urban	150	28.980	5.009		

**Significant at 0.05 level of significance. Sources: Primary data

From the above Table, the calculated $t_{(298)}$ value = -0.335 is less than the critical t-value = 1.96 for 0.05 level of significance. Therefore the null hypothesis is accepted. From the above table, it may be concluded that there is no significant difference between the rural area and urban area in terms of the mean value of “Area”.



Therefore from the above bar chart, it can be concluded that there is not much significant difference between rural and urban in terms of overall customer satisfaction in respect of LIC products.

Major Findings

1. The customers of LIC of India reported a high level of satisfaction relatively with other selected Private LIC Companies.
2. The customers in general while choosing a policy from LIC of India, give first preference to the amount of Tax benefits, future of children. They consider the risk benefit as least important to select a Policy.
3. The outcome of a sound customer philosophy is perceived to be a positive influence on customer retention. The most significant factors contributing to the market share and customer retention is the customer philosophy followed by the strategic orientation. The factors contributing more to sales growth and return on investment are the operational efficiency followed by strategic orientation.

4. The strategic orientation is a dimension of marketing effectiveness, which tends to contribute much to the business performance. The firm is well positioned relative to its competitors, if it provides a good quality service and focuses on long-range growth. It strongly influences the business performance.
5. The customers satisfaction determined by customers' philosophy, strategic orientation, operational efficiency and adequate marketing information. The customers' satisfaction is strongly predicted by the customers' philosophy. The strategic orientation is strongly influencing the customers' satisfaction variables.

Suggestions

1. The customer satisfaction should be the main focus of any service firm especially to the Life insurance company. This will be result in customer retention leading to improved profitability and growth of the Life insurance institutions.
2. The marketing personnel at all levels should appreciate the significant components of marketing effectiveness. The sufficient fund allocation has to be made for the execution of marketing function in any life insurance company.
3. The Life insurance companys should ensure effective marketing information and communication facilities. The strategic planning should be adopted deliberately to identify and satisfy the customer' needs and wants.
4. The insurance companies should educate their personnel for a pleasing behaviour. This can create a good image among the insurance customers about the company. It will be appropriate to spend lot of money for promoting the insurance services, when the offered services do not attract and satisfy the customers' need.
5. The Insurance Company, if possible should invest in advertising, conduct road shows, and spend money on hoardings, so that it can propagate better awareness about its various lesser known products.
6. LIC should also tie up with several other banks apart from the existing ones to sell its products i.e. through banc assurance.

Conclusions

The research resulted in the development of a reliable and valid instrument for assessing customer perceived service quality, awareness level, and satisfaction level of customers for life insurance industry. Here, service quality needs to be measured using a six dimensional hierarchal structure consisting of assurance, competence, personalized financial planning, corporate image, tangibles and technology dimensions. This would help the service managers to efficiently allocate resources, by focusing on important dimensions first. The gap scores show that there is ample room for service quality improvement in life insurance industry in India. In the competitive insurance sector, these findings can be transformed into effective strategies and

actions for achieving competitive advantage through customer satisfaction and retention.

The 21st century insurer will hardly resemble its ancestor. For a field long known for stability, a combination of technology, economic pressures, consumer demand and deregulation are driving major players to reevaluate their core business practices, alliances and partnerships, and the products and services that they offer. Information technology is both driving and becoming a strategy for navigating the minefield of change. In a nutshell, the Insurance industry is facing competitive challenges on many fronts, including pricing pressure due to rising competition and escalating cost ratios, deregulation, eroding barriers among banking, brokerages and insurance; technology innovations that promise to streamline and reinvent business processes, B2B relationships, and product and service offerings; rising expectations for customer service; and mass customization of products and services.

There is no right and wrong in all this. The success of marketing insurance depends on understanding the social and cultural needs of the target population, and matching the market segment with the suitable intermediary segment.

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