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SUMMARY OF FINDINGS, CONCLUSION AND SUGGESTIONS
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The sales turnover of any organization can be improved by means of attracting new customers and also by means of repeated purchases from existing customers. It always costs more to attract new customers than to retain current customers and with regard to service sector like insurance, the satisfaction of the customer is the value choice of the service provider. Therefore, customer retention is more critical than customer attraction. At the same time the key to customer retention is consumer satisfaction.

The satisfaction of a customer can be achieved by means of customer oriented marketing strategy. It starts with customer needs and integrates all organization activities directed towards provision of consumer expectations; thereby profit maximization can be made possible to satisfied customers. The current study has hitherto discussed in detail the importance of identifying consumer needs and its various dimensions in order to suggest strategies to meet the identified needs of the consumers. The main objective of the study aims to identify consumer needs and perception about LIC products and their services. While analysing the consumer perception, it is brought out how agents are playing a vital role in improving service quality of the insurance company and hence, their role in enhancing the service quality is also evaluated.
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The next objective of the study aims to identify the reasons for policyholders shifting their ties with LIC to other insurance organization or in other forms of investment. This gives the ways and means to provide a strategy to reduce customer defection and to increase the customer retention rate.

These study objectives are achieved through a well organized research design by using the primary and secondary data. The analysis has led to significant observations and conclusions, which may be useful to insurers to modify their marketing strategies so as to achieve their business goal. These observations and conclusions are summarized in the following pages. In addition, based on the conclusions drawn, wherever necessary, appropriate strategical suggestions are also given.

This chapter summary is divided into four sections, namely:

1. Observation about the growth and development of LIC
2. Evaluation of agents role in enhancing the service quality
3. Identification of consumer perception on LIC products and its service quality
4. Consumer satisfaction and defection, and its determinants

The company must pay closer attention to the consumer defection rate and take steps to redress their grievances. Consumer satisfaction is important
not only to the small and growing organizations but even major corporations cannot escape from the consumer scrutiny. Further, the recent economic liberalization has created a revolution in the insurance industry. Thus, the present study aims to provide some impetus on this direction.

**Growth and Development of LIC**

In a single product firms that serves to a specific market, it is easy to determine the market strategy. But, in a business that has two or more business units which provides different products strategy formulation can be better achieved only by means of identifying strategic business units and should be integrated with establishment of appropriate guidelines for improving such business units. LIC is one such business organization offering different types of products to satisfy different customers. Hence, LIC should follow this Strategic Business Unit concept which will help to set the principles for allocating LIC resources and to improve the overall business. To establish strategic business units initial evaluations are to be made about the performance of LIC and based on this evaluations, priorities can be placed to different business units. The performance evaluation of LIC records provided the following observations.

The market share of LIC is 73.9% followed by Bajaj Allianz with 6.12% market share. Thus, LIC is still considered to be the market leader even after the entry of private partners into the Indian insurance industry. While
evaluating the performance of LIC, it reveals that its business operations showed slight fall in the year 2003-04 with respect to quantum of its business, its premium receivables and overall income, but LIC has managed to recover immediately in the next year, 2004-05 and thereafter. LIC’s business improvement is identified in terms of General Annuity business by 11% in 2005-06 and increase of 43% in terms of sum assured.

Though there is a decline in the quantum of business and volume of premium receivables, the life fund of LIC has shown growth rate even in the year 2003-04. This could be possible because of the early recovery in the year 2004-05 and 2005-06. In respect of other incomes, the increase is 25 per cent in 2003-04; 180 per cent in 2004-05 and 277 per cent in 2005-06. The increase of total income is consistent and has shown very high growth during the four years starting from 2003-04.

Claims are considered as the major payments made by insurance companies. To know whether there is any consistency with respect to the growth of the business and payment of claims, settlements made by LIC during the study period was evaluated and it is found that claims paid and outstanding during the study period shown a similar trend are maintained with relation to the growth of the business.

When evaluating the payments, it is found that the commission paid to agents was increased by 15 per cent in 2003-04, 25 per cent in 2004-05 and 42
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per cent in 2005-06. Similarly, the operating expenditure also increased correspondingly by 13 per cent in 2003-04, 31 per cent in 2004-05 and 32 per cent in 2005-06. As regards surplus from operations, the increase is 12 per cent in 2003-04 and 43 per cent in 2004-05 and 27 per cent in 2005-06. Thus, it is concluded that the administrative and operational efficiency of the business operations are maintained even after the entry of private partners into the Indian insurance business.

It is found that overall investments have increased by 164 per cent during six years ending 31.3.2003. Majority of investments are in central government securities. This central government securities investment have increased by 199 per cent during the similar periods, 177 per cent increase in state government securities and 63 per cent increase in water and sewerage investment. Hence, overall investment position of LIC is in appropriate portfolios.

Evaluations about Agent’s Role in Enhancing the Service Quality:

Agents render different services to the LIC customers. The agency services can be grouped into pre-purchase information to the policyholders. Clarifying the doubts during the alternative evaluations stage and also they render services during the post purchase stage in order to improve customer relations and also for a better word of mouth. Hence, the evaluations of agent’s role in improving the service quality of LIC is a must and it was done by
comparing their demographic variables of urban and semi urban agents and also comparison is made between general agents and special agents. Further, agents’ link with consumer is evaluated with regard to their information provision to the policyholder by means of different devices to evaluate the LIC products and also their post purchases services. The major findings noticed from the analysis are given in the following pages.

The average age profile of special and general agents are above 40 with minimum educational qualification of graduate degree and with rich service experience in the insurance industry. But when comparisons were made with respect to these demographical variable, it is found that urban and semi urban agents differ significantly with respect to age, education and experience.

In furthering their knowledge on better consumer relations, all the agents belonging to special and general category and also urban and semi urban category, attended the training programme conducted by the insurance companies. In addition, urban agents of special category update their knowledge through training programme provided by other financial institutions, which enable them to provide better consumer information to decide about their investment portfolio.

Majority of LIC agents update their knowledge about the new policies and provisions through development officers, other agents and company publications in the order of preference. With regard to getting of information
about new policies, the sample special agents and general agents differ significantly.

The commission income or the earning capacity of the special agents and general agents do not significantly differ. Further, when it is compared between the urban and semi urban agents also, there is no significant difference found. This clearly indicates that when it comes to individual returns the agents are doing their best to achieve their goals.

The analysis reveals that 78.67 per cent of special agents and 73.00 of general agents concentrate in urban areas; 8.00 per cent of special agents and 10.00 percent of general agents concentrate in semi urban areas. Thus, only minor concentration was given to the semi-urban areas. This finding gives a new avenue to various categories of agents. It is apparent that the semi-urban is considered to be the major untapped market in the Indian insurance industry and this can be better achieved by means appropriate agency network. The current study carried out in two divisional offices situated nearer to the metropolitan city and this word of caution is also to be taken note of.

Agents play an important role in triggering the consumer needs about insurance requirements, provision of information when the policyholders do their search of information, guidance while doing the alternative evaluations by the policyholders and also in their consumer purchase decisions. The information provided by the agents include LIC products more particularly
about the type of policies and its supremacy, mode of premium payments, risks associated with different policies and about maturity benefits.

Simply reminding the consumer in need is sufficient to trigger the need recognition. To trigger the consumer need of the policyholders agents follow different strategies, which include; issue of pamphlets, advertisement boards and arranging field trips. Analysis was carried out to find out the influence of these different promotional mixes in influencing the consumer to go for buying the LIC products. It was found that special agents and general agents differ significantly in their promotional strategies in influencing the consumers. Further, there is a significant difference between urban and semi urban promotional strategies. This provides valuable input to the agents in selecting the right type of promotional strategy.

In providing information to the policyholder to do their evaluative criteria, agents follow three strategies namely flanking defence, pre-emptive defence, and mobile defence. It is found that majority of the agents, both special and general agents, follow flanking defence strategy. Further, urban and semi-urban agents do not significantly differ in their strategies.

The information provision is to gain additional knowledge or to change the consumer attitudes or to motivate the consumers to go for the insurance products. It is found that motivation is the prime psychological variable in influencing the consumers. This outcome is common both for the general and
special agents and also is common both for urban and semi urban agents. While analysing about the motivators of the purchase decision, it is found that majority influence comes from friends and peer to go for the purchase of LIC policies. The opinion leaders play a significant role in the consumer purchase decision of LIC policies. At the same time agents’ role in influencing the consumer cannot be undermined.

While evaluating the LIC policies and its supremacy as financial portfolio, agent’s role is considered as critical. Consumer requires detailed inputs about the type of policies with its strengths and weaknesses, the method of payment of premium, risk coverage and maturity benefits. While providing the information, they follow different strategies to different consumers. The analysis about agents’ perception on this respect is as follows: among the sample agents 25 agents explain the strengths, 28 agents explain weaknesses, 35 agents explain opportunities and 21 agents explain the future threats. By applying Likert Five Point Scaling technique weighted average was calculated, the points scored for strengths is +96; for weaknesses is -80; for opportunities is 74 and for future threats is -107. The calculated co-efficients for explaining the strengths is 0.640 for weaknesses is -0.160 for explaining opportunities is 0.148 and for future threats is -0.214. Thus, it is inferred that majority of special agents explain the strengths and opportunities to a reasonable level to all the policyholders but they do not explain the weaknesses and future threats
to the clients. Concealing future threats of a policy is maximum in the case of special agents.

While explaining about the risk coverage and maturity benefits, the general agents explain about these features to the maximum extent; they explain about the penal provisions and also loan benefits to only to a minimum extent to the policyholders. The calculated co-efficient of these features explains about the level of information provided to the policyholders. The calculated co-efficient for these information provision are: risk coverage 0.260; premium payment 0.130; maturity benefit 0.360 penal provision is 0.050 loan aspects is 0.010 and bonus aspects is 0.180. This clearly indicates that the majority of agents explain only the strengths and opportunities rather than explaining its weakness and threats. There is no significant difference between special agents and general agents in this respect.

With regard to commission as income to the agents, majority of agents are either satisfied or highly satisfied with their existing income. For incentive to agents also, majority of agents are satisfied or highly satisfied with the type of incentive and also the quantum of incentives provided. Regarding help from the organization, majority of them have some reservation about the type of approach followed by the organizational superiors. The time taken to process the application is also not up to the level of the satisfaction of the agents. The co-efficient values on these features explain about the help rendered by the LIC
to the agents. Commission to the agents is 0.408; incentives to agents 0.256, providing help -0.116; quick processing is -0.512 and cordial approach is -0.416. Hence, it is concluded that the level of satisfaction of agents is highest with regard to commission to agents and incentives to agents. However, the level of satisfaction is negative for quick processing, cordial approach and for providing help.

**Consumer Perceptions about LIC Policies and Its Service Quality**

Consumer perceptions are identified as the direct outcome of policyholders’ experience. These purchase perception of LIC products may be about the nature and performance of LIC policies, cost and effort expended before obtaining the LIC policies and the social benefits or costs accruing to the policyholders as a result of buying the policies. The consumer can have more than one superior need while deciding the type of policy and mode of premium payment. The results of the present study provided the following as the important need areas as the policyholders’ perception about LIC products and services offered.

The analysis reveals that among the urban policyholders, 24.33 per cent are in the age group of 25-35 years; 39.33 per cent are in the age group of 35-45 years. 28.67 per cent are in the age group of 45-55 years and 7.67 per cent are in the age group of 55 years and more. Among the semi-urban policyholders 28.00 per cent are in the age group of 25-35 years; 22.50 per cent
are in the age group of 35-45 years; 39.00 per cent are in the age group of 45-55 years and 10.50 per cent are in the age group of above 55 years. Considering all the sample policyholders 25.80 per cent are in the age group of 25-35; 32.60 per cent are in the age group of 35-45 years; 32.80 per cent are in the age group of 45-55 years and 8.80 per cent are in the age group of 55 are more. Thus, the majority of the sample policyholders are in the age group of below 45 years. This shows that insurance is much sought after in the early ages of people in general.

Majority of the policyholders are graduates in urban as well as in the semi urban areas. The educational qualification of the policyholders does differ significantly between urban and semi urban policyholders. Majority of the sample respondents are in some type of employment. The occupational status of the sample policyholders differ significantly with reference to place of residence.

The mean income of the sample urban policyholders is Rs.67,470 with a standard deviation of Rs.21,980. At the same time the semi urban policyholder’s mean income is Rs.65,400 with a standard deviation of Rs.21,880. The combined mean income is Rs.66,640 with a standard deviation of Rs.21,960. This shows that there is no significant difference in the income of the policyholders between the urban and semi- urban policyholders.
Majority of the policyholders live in families with atmost 5 family members, with one earning member, but this situation is slightly different among urban policyholders. Only 41.00 per cent of the families has one earning members and remaining 59 per cent of the families are having more than one earning member in their families. Even while testing of hypothesis also, this figures are confirmed and found that there is a significant difference with respect to size of the family members and also income earning capacity of members between urban and semi-urban policyholders.

As per the opinion of the policyholder, it is found that majority prefer only endowment policy compared to whole life policy. This may be due to the fact that they are consistent and mostly non risky in nature. The urban and semi-urban policy holders do not differ significantly in respect of the opinion of the type of policy. But the policyholders with more than 45 years of age differ significantly between the urban and semi-urban policyholders with respect to the type of policy selection.

When it comes to children policies, most of the policyholders prefer endowment policies, at the same time, there is a significant difference between the urban and semi-urban policyholders in this respect. Majority of the policyholders prefer to pay the premium annually than the other modes of payment. Further, the policy amount is spread among the policyholders and it may depend on the income and individual attitude of the policyholders.
With regard to the suitability of policy for ladies, majority prefer whole life policy than the endowment policy. The opinion about the type of policy for ladies, the urban and semi-urban policy holders differ significantly and regarding policy period also there is no significant difference between urban and semi-urban policyholders.

When it is considered for portfolio of different policies, in urban policy holders 15.00 per cent have policy mix, 43.00 per cent have risk mix, and 24.44 per cent do not have specific mix. In semi-urban policyholders 30.50 per cent have risk mix, 43.00 per cent do not have specific mix and only 12.50 per cent have premium mix. This shows that the insurance policy mix held by sample policyholders significantly differs with reference to place of residence.

While evaluating the information before considering about the purchase of LIC policies, urban policyholders often get the information prior to their purchase decision. Only 39.5 per cent always get the information in the semi-urban category. The testing of hypothesis proved that in respect of getting information before taking policy, urban and semi urban policyholder differ significantly.

The service quality of the LIC is determined by means of frequency of agency visit to the consumers in clarifying or to enrich their beliefs. The results about this phenomenon is that the agents approach the customers atleast thrice before their purchase decision and this rule is common both for the urban and
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semi urban consumers. Further, it is discussed that there is a significant
difference found between the urban and semi-urban consumers. This particular
finding will be helpful in formulating the promotional strategy. The insurance
agents are to be trained in such way that they should give up their hopes after
their first or second visit in order to convert their visits into effective sale of
policy.

In persuading the consumers and to enhance the consumer satisfaction,
the regular visit during and after the sale process and persuasion are the major
sources of marketing the insurance products by their agents. The opinion about
strategies perceived by urban and semi-urban policyholders also significantly
differ. In persuading the consumers can be motivated by means of providing
additional knowledge, or by means of changing their attitude, or by means of
changing their perception towards insurance. Change in the attitude of the
consumers is the most wanted phenomenon than other variables changing the
consumer persuasion process. Thus, the insurance companies should note that
the change of consumer attitudes towards the insurance products and their
services is the need of the hour. So while formulating the promotional mix,
this attitude change is to be given more importance than highlighting the
product features.

While persuading the consumers, the agents can follow different
strategies in explaining the features of insurance to different consumers. Some
of them may be interested in risk coverage, some of them may be interested in insurance as investment portfolio and others may be interested in insurance as tax saver. To majority of the policyholders growth seems to be the prime reason for insuring their lives followed by risk and tax saving. Further, there is a significant difference between urban and semi-urban policyholders in reasons for taking insurance.

For the factors influencing the purchase decision of taking policies, agents are considered to be major influence in converting the need into the purchase decision; it is followed by advertisements, relatives and peer in order of priority. In addition, the prime mode of provider of information about new policies or update of information is also from the agents followed by advertisements. The urban and semi-urban policyholders do not differ significantly in this persuasion process.

The amount of policy depends on the level of income of the individuals and majority of the policyholders prefer less than Rs. 2.50 lakh as the policy amount. The average amount of the policy of the urban consumers is slightly higher and also the urban consumers differ significantly with semi urban consumers in respect of the policy amount. Concurrent to the value of the policy, the amount of premium paid by the policyholders also differ significantly between urban and semi urban policyholders.
The discriminant analysis was carried out between the urban and semi-urban policyholders by using critical variables as the independent variable. The results provided from the analysis is as follows:

The discriminant function for the urban policyholder is as follows

\[ D = 2.270 x_1 + 6.000 x_2 + 1.252 x_3 + 1.968 x_4 + 2.122 x_5 + (-14.271) \]

where as the discriminant function of the semi urban policyholders is as follows:

\[ D = 2.313 x_1 + 5.649 x_2 + 1.352 x_3 + 1.754 x_4 + 2.132 x_5 + (-13.756) \]

in this

\[ x_1 = \text{Age of the policyholder} \]
\[ x_2 = \text{Educational qualification of the policyholder} \]
\[ x_3 = \text{Size of the family} \]
\[ x_4 = \text{Income} \]
\[ x_5 = \text{Occupational status of the policyholder}. \]

**Determinants of Consumer Satisfaction and Defection**

Consumer satisfaction with a product or service quality heavily depends on product performance or service facilities. Companies must be very careful in creating consumer expectations, otherwise they end up with many
dissatisfied customers. The current study aims at evaluating the policyholders’ satisfaction and also depicts the interest in identifying the reasons for consumer defection. The defection may be to other insurance companies or to other portfolios. This phenomenon is also evaluated. The current section provides some insights about the consumer satisfaction and consumer defection of LIC policyholders.

The percentage of highly satisfied or satisfied policyholders and not satisfied or not all satisfied percentage is more or less the same. When it is decomposed into various determinants, 108 policyholders are satisfied with policy information compared with 181 policyholders with dissatisfaction note. Majority of the policyholders are satisfied with the policy documents and acknowledgement of application. Most of them feel that form clarity is to be improved with a negative co-efficient. When compared with urban policy holders, the level of dissatisfaction is more in the semi-urban policy holders.

The components of satisfaction were evaluated at different stages of consumer process. In the processing stage urban consumers are satisfied with the provision of risk information, time taken for processing, premium charged and mode of premium but they are dissatisfied with the medical requirement. Even for the semi-urban consumers similar trend is identified with respect to the level of satisfaction as regards to different components of satisfaction.
As regards to loan procedure, majority of the consumers are not satisfied with different dimension of loan process. In the process of settling the claim, majority of the policyholders are either satisfied or highly satisfied. Thus, the management has to take note about the loan process and should consider seriously about the loan procedure, processing time and quantum of loan also.

For additional services, it is found that for additional risk coverage 111 urban policyholders are either satisfied or highly satisfied, compared to 114 who are not satisfied or not at all satisfied in the case of semi-urban policy holders. Similarly, dissatisfaction exists with respect to additional period coverage, flexi premium payments and bonus additions. But at the same time they are satisfied with respect to intimation of premium payments.

In grievance handling, most of the consumers, both urban and semi-urban consumers are either satisfied or highly satisfied. Their satisfaction is found both in accepting the complaints and redressal of accepted complaints. Analysis shows that the Likert scaling co-efficient are positive for hearing complaints and also redressal mechanisms.

It is found that the satisfaction level is high with respect to official procedures also. Positive satisfaction is found for form filling, insisting the documents and policy information. But the dissatisfaction is identified in the policy recommendation and different approaches followed for marketing products.
For the post policy services, it is found that the renewal information, premium collection have shown high level of satisfaction, but consumers are having concern over the loan information and loan dispersals. Based on these findings, the managerial implication required to improve service quality is provided in the next section.

Managerial Implications

In order to effectively deploy strategies that foster customer retention and loyalty in Indian insurance industry, the insurers should consider the collective impact of quality-value perceptions, and satisfaction. The current study provides a better understanding of the inter-relationships among these different variables that can help to guide the insurers to develop and implement strategies designed to optimize policyholders' service quality perceptions and enhance policyholder satisfaction. As such, policyholders are sensitive to all the factors that drive value perceptions more particularly on type of policy, loan process and information provision on various risk involved in the value addition of the policies. Recognizing these need areas provide valuable information to the insurers in order to concentrate their effort directed towards meeting the customers' needs. By means of successful implementation of better customers relations programs, the existing customers can be retained and defection rate can be minimized.
Satisfactory service encounters are critical construct in building customer loyalty. Not only will satisfied policyholders be more likely to patronize the LIC again, there is also a greater chance that they will share their favourable experiences with others. The benefit of this is twofold. First, word-of-mouth communications serves as a highly credible source of information that can help lower marketing costs. Secondly, rich and satisfying customer experiences of policyholders are likely to produce more favourable impressions of the overall insurance industry and build a better customer relationships that influence patronage across the insurance industry. Further, LIC’s increasing acceptance as a major insurer often create a benchmarking expectations about service quality of insurance business.

Limitations of the Current Study

As with any study, the limitations should be considered in any attempt to interpret and generalize the research findings. First, contextual issues related to the company, the characteristics of its customers, and the product purchased may alter the interrelationships among and/or the relative importance of the variables in their purchase decisions. The model may need to be adapted to account for differences that result when consumers go for different service experience.

Additionally, the characteristics of the respondents, while representative of the participating respondents profile, may not adequately reflect characteristics of customer groups for other types of service encounters. Furthermore, it is
possible that the study's respondents possess more favourable feelings and beliefs about LIC than do other, this may have weakened the impact of receptivity and their responses to this study.

Secondly, there are several issues related to measurement that should be considered. Items for the perceived service quality scale were developed based upon exploratory qualitative research and another measurement issue is related to the respondents' perceptual reference point. These two issues are to be given due consideration in replicating the study to different organization or to different situation.

**Scope for Further Research**

The proposed service quality model of LIC is an effort to provide a more comprehensive examination of quality, value, satisfaction, and loyalty of insurance industry. The limitations set forth above, however, suggest a number of opportunities for future research.

First, the service quality model should be examined to assess how differences in product class characteristics impact the interrelationships among the variables in the model. Moderating effects could be examined as well. These might include situational factors such as time limitations or individual variables such as involvement.
Future studies might investigate the model based upon expectations rather than perceptions. Consumers' expectations regarding insurance service quality are often imprecise and difficult to define. Given that expectations form the basis of performance evaluations, insurance industry is likely to benefit from more work in this area.

Another area of research, that might be fruitful, relates to perceptions of risk. Policy holders tend to associate a greater amount of risk with selection of wrong policy and improper portfolio of investment in the form of insurance policy. Some earlier models in the service literature have examined the direct impact of perceived risk on perceived value. Future research could incorporate the effect of risk into the model.

The measurement issues discussed previously can also be addressed through future research. A scale to measure perceptions of service quality would be beneficial to both the scholars and practitioners. Further, refinement of the measures to assess policyholder quality evaluation would also be helpful.

Finally, longitudinal research would be beneficial to assess the stability of policyholder perceptions, service encounter satisfaction, and loyalty over time. In addition, it would also help in assessing both the behavioural and psychological aspects of customer loyalty.