CHAPTER – I

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The life insurance business has come a long way since independence. Life Insurance Corporation (LIC) of India was the sole life insurance player in the public sector. After the liberalization of the insurance sector, a dozen companies have entered the insurance business. From an infrastructural perspective these companies promote financial and social stability, mobilizes and channelizes savings, supports trade, commerce and entrepreneurial activity and improves the quality of the lives of individuals.

In a fast-globalizing economy, all over the world, governments are faced with challenges relating to the regulatory environment, emerging global trends, technological innovations and liberalization of the insurance sector. India is the second largest populated country in world with abundant of resources. With such a large population and the untapped market area of this population, insurance happens to be a very big opportunity in India. Nearly 80 percent of Indian populations are being without life insurance coverage. This is an indicator that growth potential for the insurance sector is immense in India. It was due to the enormous growth that the regulations were introduced in the insurance sector.

The insurance is the most lending force contributing towards economic, social and technological progress of man. Without insurance cover all industrial, economic and social activity of the world will come to a grinding halt. The insurance company facilitates the economy an ongoing one by making good the losses. It is essential to understand the needs and wants of customer and to turn it to an opportunity to improve the business.
India is a country where the average selling of life insurance policies is still lower than many Western and Asian countries. Having a large population, Indian insurance market is looking very prospective to many multinational and Indian insurance companies for developing their business and market share.

The insurance sector in India come a full circle from being an open competitive market to nationalization and back to a liberalized market. Tracing the progress in the Indian insurance sector reveals the 360-degree turn witnessed over a period of almost 190 years.

1.1 Life insurance business in India

What is insurance?

The term insurance is a cooperative devise to spread loss caused by a particular risk over a number of persons who are exposed to it, who agree to insure themselves against that risk.

Indian customers desire to have a better and secured future though risk and uncertainties are unavoidable. In this direction life insurance services have its own value in terms of minimizing risk and uncertainties. Indian economy is developing and having huge middle class societal status and salaried persons. Their money value for current needs and future desires here the pendulum moves to another side which generate the reasons behind holding a policy (Praveen Sahu, Gaurav Jaisal, Vijay Kumar Pandey 2009).\textsuperscript{1,1} The purchase of life insurance is one of the most important purchasing decisions for individuals and families (Anderson & Nevin, 1975)\textsuperscript{1,2} and it is a critical component of a long-term financial plan (Devaney & Keaton, 1994).\textsuperscript{1,3}
Life insurance allows individuals and families to share the risk of premature death with many others and to alleviate the financial loss from the premature death of the primary wage earner (Garman & Forgue, 2006). Premature death of a family head can bring serious financial consequences for the surviving family members because the family head’s earnings are lost forever leaving unfulfilled financial obligations, such as dependents to support, children to educate, and a mortgage to repay. Thus, the main reason for the purchase of life insurance is to provide financial security for the family. There is more to it; however, people also buy life insurance as a medium to long-term tax favoured savings and investment vehicle.

1.2 Growth of life insurance industry in worldwide

The globalization of the insurance market is a fact that cannot be contested. It is determined by a series of factors such as: the development of world trade, the entry on foreign markets of business clients of insurance companies, the need of a more effective activity of insurance companies, economic growth on emerging markets, a greater need of capital and know-how on these markets etc. (Swiss Re, Sigma no. 4/2000). The globalization of the insurance market has lead to the uniformity of tastes of consumers worldwide, making their attitudes and preferences similar (Harold Chee, Rod Harris, 1998). In the highly competitive world, insurance industry influences money, capital markets and the various sectors in an economy, making insurance facility necessary to ensure the completeness of a market. Globalization and deregulations have increased competition in the marketplace, as nowadays it has become much easier for companies to cross borders and compete internationally. The increased competition has made organizations to constantly try to increase their productivity and decrease their costs by adopting various techniques.
The Insurance service enables industry professionals, company analysts, consultants, industry and regulatory organizations to evaluate and better manage the risks, and exploit business opportunities, in global insurance markets. Most 75% of Americans agree that life insurance is the best way to protect against the premature death of a primary wage earner, the report in 2006 prepared by Life Insurance Marketing and Research Association (LIMRA) revealed that consumers consider the purchase of life insurance to be a complex process and eight in ten find it difficult to decide how much and what type of life insurance to buy. The worry about making an incorrect decision becomes an excuse for not buying life insurance. This issue creates interest in examination of the consumer demand for life insurance is aroused. It is necessary for insurers to understand purchasing behavior of life insurance customer in order to help them to buy suitable life insurance.

Countries like India was one of the least insured in the last few decades. In 1999 per capita insurance premium in developed countries was very high ($ 4800 for Japan, $ 887 for Singapore and $ 144 for Malaysia), whereas in India it was only $8. The premium as a percentage of GDP stood at 2% for India whereas it was 14% for Japan, 13% for South Africa and 9% for UK (Vijayakumar, 2007).^7

While nationalized insurance companies have done a commendable job in extending the volume of the business, opening up insurance sector to private players was a necessity in the context of globalization of financial sector. If traditional infrastructural and facilitating industries such as banking, airlines, telecom, power etc., have significant private sector presence, continuing a state of monopoly in provision of insurance was indefensible.
The role of insurance is undergoing a phenomenal change today as it is evident from the product bouquet and the product advertisements. The emphasis lies on insuring oneself and one's close family members for self-reliance more-so because nuclear families are the emerging trend in the country today. To meet the varying requirements of individuals, the insurance players have a collection of products in their bouquet. Besides this, almost all companies offer flexibility to customers to choose the most suitable product for themselves by combining features of a number of products together. Thus the products can be customized to suit the customer as per their needs. Customers can compare the products (with their riders) across the companies before judiciously investing in one of them.

Life insurance has today become a foundation of any market economy since it offers plenty of scope for gathering large sums of money for long periods of time. A well-regulated life insurance industry moves with the times by offering its customers' tailor-made products to satisfy their financial needs. The importance of financial services is self-evident for the well being of economies as well as societies. It is through the investment of the premiums paid by policyholders that the transmission of saving is fed through into the wider economy. The mechanism through which this transmission takes place is the capital market. The range of investments in which an insurance company can invest its funds within a given economy will depend of the degree of development of the local capital market.

In addition, life insurance companies also play a risk absorption role in the capital market as underwriters of new equity and bond issues. By guaranteeing the placement of issues and placing a floor on the issue price, this encourages the supply of new issues onto the capital market.
1.3 Customers’ attitude towards Life Insurance Services

1.3.1 Customer

‘There is only one boss: the customer’ expressed in the words of the late Sam Walton, founder of Wal-Mart. The customer is the centre of the business universe. An overwhelming emphasis on the customers and his needs is the primary intention in all the business activities. There is a necessity for the marketers of understanding the needs and wants of customers as well as how the attitude forms towards their products. Better service can infuse favourable attitude in the minds of the customers.

1.3.2 Customer Service

Customer service is the service provided in support of a company’s core products. Customer service can occur on site or it can occur over the phone or via the internet. Many companies operate customer service call centers, often staffed around the clock. Typically there is no charge for customer service. Quality customer service is essential to build customer relationships (Valarie A. Zeithml, Mary Jo Bitner, 2003). Services are something special, different from goods, and important to consider (Grönroos, 2000). Insurance service companies are certainly and seriously forced to deliver new services to their customers. Most business theorists see a continuum with pure service on one point and pure commodity good on the other point. In order for service providers to retain their customers, they should have better understanding of how customers perceive and evaluate the quality of offered services.
1.3.3 Customer Attitude

An attitude may be defined as a learned disposition to behave in a consistently favourable or unfavourable way with respect to a given object (Schiffman and Kanuk, 2000). Stated differently, it positions people into a frame of mind of liking or disliking things, of moving toward or away from them (Kolter and Armstrong, 2008). It is acknowledged that people have attitudes toward almost everything - religion, politics, clothes, music, food (Kotler, 2003). An attitude is an enduring organization of motivational, emotional, perceptual and cognitive processes with respect to some aspect of our environment. Thus, an attitude is the way an individual think, feel, and act toward some aspect of our environment. In marketing context, it is stated that consumers can develop attitudes to any kind of product or service, or indeed to any aspect of the marketing mix, and these attitudes will affect behaviour (Brassington and Pettitt, 2003). It is argued that consumers' brand attitudes generally depend on the attributes and benefits of the brand (Chang, 2006). The different attitudes are directly related to different types of customers because cognition, feelings, and 'response dispositions' of customers are organized into a set of 'patterned emotional reactions' (Markin, 1969). This may be due to differences described as demographic, geographic, psychographic, or lifestyle. Therefore, behaviour moves from personal buyer to different buyers in a given society.

Comparing with few decades, customers have positive attitude towards the life insurance companies. They try to learn the new arrivals in the market, searching the existing products and discussing the benefits with experts. Companies are also taking much more effort to educate the value behind the products and create awareness among the people. A big part of developing a positive attitude begins with what marketers feed in the customers mind.
Companies are making innovative practices to satisfy the existing customers as well as the potential customers. A positive attitude can be formed not only by the products and also the trustworthiness of the company, approach of the agents, behaviour of the employees and by oral communication of the existing customers. The customers’ attitude towards the life insurance services can be formed by offering innovative products, quality service, efficient employees and agents and better customer responsiveness.

Delivering high quality services is closely linked to profits, cost savings and market share. Therefore, marketers have to identify the needs of the customers and create the favorable attitude about their products to the customers. Therefore customer service is the prominent way to attract and retain them. The essence of good customer service is forming a relationship with customers – a relationship that the individual customer feels that he would like to pursue. It is all about bringing customers back and sending them away happy – happy enough to pass positive feedback about the business along with others, who may then try the product or service suitable for them.

1.4 Insurance service - An economic support to the nations

Since the introduction of new economic policy (LPG) in the year 1991, the shape of the Indian life insurance industry has been changing and it has geared up. Soon after then, many private players have entered into this industry, who poses challenges and threat to its competitors and these new challenges forced the industry to establish colorful strategies and plan for its survival and steady growth (Rajendran R and Natarajan B, 2010).
The importance of the service sector in recent years is reflected in the increased part of services of the national economies. There is a dramatic shift towards services in the world economy. The variety and diversity of service providers increased constantly. In this competitive environment, the service companies have to be faster, leaner and sharper and provide better service in order to sustain. While all things being equal, it is the era of the service industry at which companies can gain a competitive edge by focusing on customer value-building an actual 'emotional bond' with the customers (Butz and Goodstein, 1996: 63).\textsuperscript{17}

The present day economy is very much dependent upon the various functions of service sector. Good customer service is the lifeblood of any service industry. Customer service is a series of activities designed to enhance the level of customer satisfaction – that is, the feeling that a product or service has met the customer expectation. In today's growing competitive environment, quality services and customer satisfaction are critical to the corporate in retaining the success.

Agriculture was the main industry in the beginning of the 20\textsuperscript{th} century. In the beginning of the 21\textsuperscript{st} century this has reversed and today services are the more dominant industry in the developed countries. Services as a central link to customers and markets constitute an important basis for innovation, economic growth and employment. The more developed countries around the globe have recently started to transform into service economies according to Martin (1999).\textsuperscript{18}
1.4.1 Savings provides greater protection

Droplets of water become an ocean. Customers are investing their small part of income as savings in life insurance companies which will protect themselves as well as their family members in future. These long-term savings generated by life insurance companies can also be made available to government to allow funding improvements in the infrastructure, since this infrastructure investment is important, especially in emerging economies. Moreover the government utilizes the funds to create job opportunities and to increase the standard of living by increasing the economy of the people.

The stimulation of greater saving also has short-term economic benefits. If individuals are persuaded to save more, then by definition they will consume less. This reduced consumption will help to lower any inflationary pressures that might exist within the economy. This inflation-reducing benefit will clearly be greater within an economy where consumption is tending to squeeze out potential capital expenditure.

1.4.2 The Expansion of domestic savings reduces inward foreign investments

There is a wider psychological benefit from encouraging the growth of domestic saving within a country. This is because when a country generates its own domestic saving it is less reliance on inward foreign investment or, in other words, less reliant on the savings of foreigners, since all inward foreign investment ultimately derives from the long term savings of foreigners. Even though the world economy today is international in nature, there needs to be an adequate level of domestic saving to finance domestic capital expenditure.
The role that life insurance companies play in the mobilization of saving and through the investment of this saving in the capital market its impact on the wider macro-economy. It is obvious that since the insurance industry is only a part of the economy, the insurance industry itself will be more affected by the economic environment than the economy. More particularly, the general standard of living in a country will have a major effect on the level of demand for insurance, while high inflation has a major disincentive effect on all saving, including saving through life insurance.

1.4.3 Benefits from savings through life insurance to individuals

Individuals often need to be given incentives to save for the long term rather than consume. They tend to be myopic. Hence governments in most countries grant tax incentives to encourage this process of transfer. This is especially so for saving products linked to retirement purposes. Tax incentives can be in terms of income tax deductibility on premiums paid, favourable tax treatment on the policy proceeds at the termination of a life insurance contract, and the tax treatment of the life insurance company itself. These tax subsidies, where they exist, are viewed by governments as a good investment for the tax payer, since the taxes foregone are expected to be more than offset by lower tax support needed in the future.

1.5 Insurance Regulatory Development and Authority of India

IRDA plays an important role in insurance sector giving important guidelines to various companies in the area of insurance. The process of opening up the insurance sector was initiated against the background of Economic Reform process which commenced from 1991.
For this purpose Malhotra Committee was formed during 1993 which submitted its report in 1994 and Insurance Regulatory Development Act (IRDA) was passed in 1999. Resultantly Indian Insurance was opened for private companies and it effectively started their operations since 2001. The industry is now open to private players under the Government mandate of a minimum capital requirement of Rs.100 crores, of which a maximum of 26% stake can be held by a foreign partner as equity. IRDA holds the right to cancel the license of any insurance company if it feels that the company or insurer fails to conduct its business in a manner prejudicial to the interests of the policyholders. To prevent any accidental or uninformed decisions in such circumstances, IRDA appoints an enquiry officer who looks further into the matter before any verdict is taken. Government has tried to keep the interests of the players in mind along with the consumers. IRDA also clearly explains the reasons under which a license can be cancelled. This transparency in the regulatory body proceedings helps to allay the fears of any private enterprise subjected to Government regulations. The insurance players today are expected to invest the funds judiciously with the combined objectives of liquidity, maximization of yield and safety by conferring to the Authority's guidelines on investments. An investment policy has to be submitted to the Authority by an insurer before the start of an accounting year to efficient resource allocation. With moderate entry barriers prevalent in the industry and minimal Government interference possible, more industrialists and public sector banks are planning to jump into this sector. Also with the recent growth in the per capita income of the country and people becoming more aware of the need for insurance as a protection and investment tool, the sector promises excellent returns for the incumbent 22 players and prospective entrants.
The IRDA green signal to insurance companies for investments in venture capital funds would provide a boost in growth pertaining to the infrastructure segment. The insurance companies would be allowed to invest about 5% of the total investment in the venture capital funds pertaining to infrastructure based projects. The total aggregate of the assets under the life insurance companies is 11,52,057.21 crore rupees approximately. The proposed alterations in the regulations pertaining to investments of the insurance companies were settled by the Insurance Regulatory and Development Authority of India (IRDA). At present the insurance companies may invest about 10% of its investment funds to a particular sector. The Insurance Regulatory and Development Authority of India (IRDA) constituted a working group in the year 2006 to probe the existing investment regulations and provide review on the present statutory advices and the trends of investments for insurance companies.

1.6 Ombudsman in Insurance Industry

The institution of Insurance Ombudsman was created by a Government of India notification dated 11th November, 1998 with the purpose of quick disposal of the grievances of the insured customers and to mitigate their problems involved in redressal of those grievances. This institution is of great importance and relevance for the protection of interests of policy holders and also in building their confidence in the system. Normally all the businesses have a separate customer service team qualified to handle customer complaints and queries. Customer complaints should be dealt with as quickly and discreetly as possible. Helping customers could actually win new prospects. The ombudsman institution has been helping to generate and sustain the faith and confidence amongst the consumers and insurers from its inception.
1.7 Longevity of life insurance market

Experience shows that life insurance markets tend to take time to develop, often developing later than banks and non-life insurance companies. This reflects the fact that as long term savings across the population as a whole increases as standards of living rise and as standards of living rise, longevity also increases.

It is difficult to generalize on how life insurance products change and widen in scope as a life insurance market matures. There is interplay of economic, political, cultural and commercial factors at work, which vary from country to country; nevertheless, there are two aspects of product development that has been evident in many countries. First, the life insurance products tend to move from having a primary emphasis on insurance protection towards a greater savings role, especially saving for retirement purposes. Second, there is a move away from simple products sold either on an individual and group basis to more complex products sold mainly on an individual basis.

1.7.1 Customer oriented organizations

Customer oriented organizations should try to understand that the customers buy benefits and not products. The job of marketing is to translate these benefits into products and services that satisfy enough customers better than competitors and also to make a profit. Customer oriented organizations make their key investments in their customers and their customers’ long term satisfaction. The following is the value perception of how the company and customer think about the life insurance.
<table>
<thead>
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<th>How companies think</th>
<th>How customers think</th>
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<td>Insurance</td>
<td>Suraksha (Protection)</td>
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<tr>
<td>Policy</td>
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<td>Risk Cover</td>
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<td>Contractual Obligations</td>
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<td>Vision, Mission</td>
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<td>Profits, Growth,</td>
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Moments of Truth


1.8 Inseparable Bond between Life Insurance and Agents

An agent is the most visible representative for the life insurance company (Enis 1980). In Crosby et al., (1990) words: “frequently the service salesperson (agents/customer relation advisor) is the primary – if not sole – contact point for the customer both before and after the purchase”. In the service industries, people are of utmost importance. The service provider is one of the most crucial parts in the provision of services, being for example friendly, knowledgeable and professional. The marketers of the services must select, train and motivate their frontline people. Proper training can make a big difference in the customer satisfaction. A sense of care, concern, trust and confidence must be present on the insurers’ premises.
The insurer is, therefore, under greater degree of duty to assuage insured’s hurt feelings and attend to his needs promptly, efficiently, actively and courteously (Govind Johri 2009). \(^{121}\)

Consequently, the firm’s sales force is critical to its service delivery process (Shepherd 1999). \(^{122}\) At the same time, sales-people are exposed to greater ethical pressures than individuals in many other jobs. They work in relatively unsupervised settings, they are primarily responsible for generating the revenues, which at times can be very stressful; and they are often evaluated on the basis of short-term objectives (Wotruba 1990). \(^{123}\) Frontline service employees have important roles in the organization (Metawa and al-Mossawi, 1998). \(^{124}\) In many cases, the contact employee is the service – there is nothing else (Hegazy, 1995). \(^{125}\) More specifically, the services literature has widely recognized the importance of contact employees’ behaviour for customer satisfaction and loyalty (Naser, Jamal and al-Khatib, 1999\(^ {126}\); Ganesh et al., 2000). \(^{127}\) Solomon et al., (1985) \(^{128}\) pointed out that “customer satisfaction and repeat patronage may be determined solely by the quality of the personal encounter”.

Kuhlemeyer and Allen (1999) \(^ {129}\) found that consumer satisfaction with life insurance products is largely accounted for by the trust they repose in the sales agents in contrast to those who purchase direct from the insurance companies. The surveyed population who purchased from sales agents was more satisfied with the insurance industry than those who purchased directly from insurance companies. This apparently justifies the view held earlier by Pritchett \textit{et al.} (1996) \(^ {130}\) that —insurance is sold rather than bought.

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According to Kotler (2003, p. 451), Internal Marketing "describes the work to train and motivate the employees to serve customers well". For Foss and Stone (2002), people in the service industry in general, are the most important aspect. This is also reinforced by the service marketing triangle introduced by Grönroos (2000). According to Lancaster & Reynolds (2005, p. 260) "Building high value, loyal, lifetime relationships is the most powerful competitive tool a firm possesses". Management has the task to check, encourage and reward employees for building relationships and checking if the customers are satisfied. Therefore a satisfied and happy customer who was benefited by a product or service will recognized his friends and colleagues about the product experience.

1.9 Technological expansion

The Internet has changed consumer behavior and marketing channels in a lot of ways. Over the last 10 years, insurance industry has actively developed online channels and offers a wide variety of web-based services to their customers to reduce the operating costs and increase the service efficiency (Chang, 2002). More and more investors are using the web to get financial information for knowing the current status. Hoffman et al. (1999) indicate that most people have yet to shop online is due to a fundamental lack of faith existing among vendors and consumers on the web. The insurance marketplace is undergoing a transformation that may eventually lead to significant changes in how consumers purchase insurance products. At the same time, the insurance industry, has so far achieved relatively little success offering its products and services online. It is important for companies to find why the adoption of online insurance is not as popular as other e-finance service. Trust, and the lack of it, is a critical impediment for the consumers to shop online (Salam et al., 2005).
A variety of distribution channels are currently used in this market place and some insurers utilize a combination of distribution channels. These include the Internet-led channels, company-led channels, bank-led channels, and agent-led channels. Of these distribution channels, the most discussed and anticipated channel is the internet-led channel. The widespread diffusion of the internet has created an explosion in the growth of electronic channels, including direct channels (that is, individual company web sites), electronic markets, or "electronic intermediaries over which multiple buyers and sellers do business" (Malone et al., 1987)\(^{138}\) and other cyber-mediaries (Sarkar et al., 1995).\(^{139}\)

The ability to reduce the transactions costs of interaction between buyers and sellers has always been acknowledged as a central motivation for the use of the web (Birkhofer et al., 2000).\(^{140}\) Predictions of disintermediation and cyber mediation are typically based on the reduced transaction costs of electronic interaction between sellers and buyers; (Hong, 2000).\(^{141}\) Trust is another factor that drives or affects the adoption of the Internet-led channel. Gefen (2000)\(^{142}\) and others examined privacy and security as it relates to choosing an Internet channel. The widespread popularity of online stores (e.g., Amazon.com) or online auctions (e.g., Ebay) provide some indication that consumers trust the channel sufficiently to provide personal and financial information via a secure part of the channel. To reach out to the consumers, the companies in the industry today have widened their distribution channels by approaching prospective customers through agents, brokers and banc assurance. With Information Technology revolutionizing the financial sector, another channel has been made available for selling which is the internet.
1.10 Delighted customers promotes business

For more than two decades, customer satisfaction has been an intensively discussed subject in the areas of consumer and marketing research. This is not surprising as measuring customers’ satisfaction has become an important issue in an effort to promote quality and ensure a more competitive economy (Fornell, 1992). A highly satisfied customer will become a delighted customer who put platform marching towards the success in the business. It can be assumed that satisfied customers can only be achieved when the management regards the process of achieving customer satisfaction as their overall goal. As stated by various authors (Ballantayne et al. 1996; Berry, 1986): It is easier - and much cheaper - to retain existing customers than to get new ones. Additionally, another benefit from achieving satisfied customers is the fact that the willingness to repurchase is much higher for satisfied customers than for dissatisfied and indifferent ones. Despite this awareness concerning the importance of customer satisfaction, it is beyond the ability of many of today’s service companies to maintain satisfied customers.

Customer attitudes about services are intrinsically related. In a dynamic framework, the customer's satisfaction with a specific service encounter depends on pre-existing or contemporaneous attitudes about service quality (Anderson & Sullivan, 1992; Cronin & Taylor, 1992).

Customer satisfaction is highly based on the concept of customer value. Companies have to, in one way or the other, deliver value to the customer; either by expanding the amount of product attributes, or by fulfilling other customer needs. Customer value creation is at the heart of relationships between services recipients and service providers (Batiz-Lazo, 2001).
In order to build up a lasting and successful customer relationship the provider needs to have a deep understanding of the customer's business activities in which the customer creates value for himself (Helander and Hirvonen, 2001).  

The satisfaction of insured customer requires building relationship of confidence and trust between the buyer and seller. It is essential to build trust so that the intentions of both the parties are clearly understood by each other e.g. if an insured has paid premium against a proposal, mere issue of receipt without any narration (cover note/ certificate of insurance) as to the specifications of the product intended to be sold, would not render satisfaction, prompt issue of the policy document and quick and adequate settlement of claim, would only create confidence in buyer about the product bought by him (Govind Johri 2009).

1.11 Scope of the study

The research move in the direction of the customers attitude towards the services of LIC of India at Nagapattinam district identified as follows (i) information availability regarding the LIC policies (ii) risk coverage and safety (iii) services of agents and response of employees (iv) affordable premium (v) loan facilities (vi) lapse and revival of policies (vii) claim settlement (viii) adaptation of modern technology (ix) physical facilities available in the branch offices. These areas are analyzed to identify the services provided by the insurance company and to examine the factors that influences the customers' attitude towards the services offered by LIC of India in Nagapattinam District of Tamilnadu. To gain insights into the company's offerings and changing consumer trends, an informal discussion with agents of the LIC were initiated. Thus primary information about customers' perspectives about the services of LIC of India was obtained.
1.11.1 Statement of the Problem

Customer satisfaction is becoming a necessity to every organization now-a-days. Many private players are ready to offer better services to the customers. To retain the customers with the business, the LIC of India need to follow the best practice in rendering services. The Insurance agents and employees play an important role in pulling customers into the business. Before customers enters into the contract, they have certain attitude towards the services of insurance company which are developed by agents, various media and the people who are interacting with them regarding the policy, risk coverage and safety, loan facilities, lapse and revival of policy, bonus and sum assured. But once they entered into the contract, the life insurance companies have to build a positive thought in the minds of the customers by the way of offering best services to the customers through their employees as well as agents. By doing so, customers may have a positive attitude towards the company and will be loyal to the corporation for long period, and kindle others to have relationship with the company and provide lead to them for the future success of the business. Given this logic of argument, in the context of the present study one could ask, what do customers perceive as benefits from insurance business? And how do they perceive these benefits? These questions deserve closer attention especially as it has been stated that consumers in the insurance market are poorly informed about insurance goods (Berger 1988\cite{1} cited in Seog, 2002), and when confronted with the need to do assessment of quality of offerings, particularly when there is perceived risk or lack of personal expertise, consumers rely on heuristics (Joseph et al., 2003). The aim of the study is to assess the attitude of the customers regarding the policy, services of LIC and the behavior of the customers towards future bustle.
1.11.2 Research Questions

The study aims to answer the following research questions seeking to understand the customers' attitude towards the services of LIC of India at Nagapattinam District of Tamilnadu.

1. How far the customers are aware of the policy related details?
2. What are the various factors influencing the attitude of the customers?
3. What is the extent of satisfaction derived by customers about the services of agents and employees?
4. What is the opinion of the customers towards the adaptation of modern technology and physical facilities available in LIC of India?

1.11.3 Objectives of the study

The following are the specific objectives of the study.

1. To analyze the socio-economic background of the customer respondents of LIC of India in Nagapattinam District.
2. To investigate the customers' awareness on policy related information, risk coverage and loan facilities offered by LIC of India.
3. To examine the satisfaction of the customers towards the services of agents and employees of LIC of India.
4. To evaluate the customers' perspective towards the procedures of LIC of India regarding lapse and revival of policy.
5. To examine the customers' outlook regarding the procedures of claim settlements practiced by LIC of India.
1.11.4 Hypotheses

1. There is an association between personal profile and overall customers’ attitude towards the services of LIC of India.

2. There is a significant relationship among the factors responsible for influencing customers’ attitude towards the services of LIC of India.

3. There is a relationship between claim settlements and overall customers’ attitude towards the services of LIC of India.

4. There is an association between loan facilities provided and customers’ satisfaction.

1.11.5 Methodology

Survey method was followed for the study. The study is mainly a descriptive type in nature. Both primary and secondary data were used for the study. Primary data were collected with the help of interview schedule. Secondary data for the study were collected from books, journals, magazines, records of LIC of India and from websites.

1.11.6 Sampling Method and Sample Size

Stratified random sampling method with proportionate sampling technique was used for the study. There are seven taluks in Nagapattinam district namely Nagapattinam, Mayiladuthurai, Sirkazhi, Vedaraniyam, Kilvelur, Thirukkuvalai and Tharangambadi. A sample of 150 respondents was drawn from each of the seven taluks in Nagapattinam District constituting a total of 1050 respondents. Nagapattinam District of Tamilnadu was purposely selected for the study as it was the worst affected one by Tsunami and many of the people lost their lives and properties.
Moreover the main occupation of the people in Nagapattinam District is fishing, next to agriculture. Fishing is skeptical to high risk as natural calamities heavily affect the lives and properties of fisher folk. Under these situations, government extends a helping hand to safeguard the fisher man society and other people. They are depending on the government aids whenever they are suffering heavy losses. So the researcher is interested to know about the attitude of the customers towards life insurance which gives self protection and self help.

1.11.7 Area of the study

Nagapattinam is a unique District with all its historical and cultural significance. This district has traditionally been referred to as East Thanjavur and Paddy granary of South India. Nagapattinam district lies on the shores of the Bay of Bengal between Northern Latitude 10.10' and 11.20' East Longitude 79.15' and 79.50'. This district is predominantly, a coastal district having a large coast line of 141 kilometres. This district has numerous places of historical importance. It is having an area of 2715.83 Sq.kms in its fold. The district headquarter is Nagapattinam. This district consists of 11 panchayat unions, four municipalities, eight town panchayats on its development side. On the revenue side, it is housing two revenue divisions with seven taluks respectively and 523 revenue Villages. The total population of Nagapattinam District is 14,88,839.
NAGAPATTINAM DISTRICT - TAMILNADU
1.11.8 Tools for Data Collection

A pilot study was conducted in order to find out the scope and possibilities of the research. With the knowledge gained through personal interaction with the agents, development officers, employees and customers of LIC of India, a comprehensive questionnaire was framed and a tamil version of the interview schedule was prepared and pre-tested with 50 customer respondents of LIC of India in different branches of Nagapattinam district. The interview schedule was finalized taking into account all valid suggestions and ideas based on the comments and suggestions given by the insurance employees, development officers, agents and customers. A structured interview schedule was administered to collect the primary data. Primary data for the study was collected from the 1050 selected sample respondents.

1.11.9 Reliability Test

Table 1.2

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<thead>
<tr>
<th>Reliability statistics</th>
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<tbody>
<tr>
<td>Cronbach's Alpha</td>
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<tr>
<td>No. of Items</td>
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An examination had been made to test the reliability of the data to check whether random error causing inconsistency is at a manageable level or not. Amongst the reliability tests that were run, the minimum value of coefficient alpha (Cronbach's alpha) obtained was 0.911. This indicates that the data have satisfactory internal consistency and reliability.
1.11.10 Statistical Tools

Statistical tools such as Chi-square test, Factor Analysis, Multiple Regression, Correlation and ANOVA were suitably employed to analyze and interpret the data for arriving meaningful conclusion.

1.11.11 Limitations of the study

1. The study is confined to Nagapattinam District only.
2. The survey for the study was conducted during the year 2009.
3. The data for the study was collected only from the customers of LIC of India at Nagapattinam District irrespective of the type and number of policies held.
4. The busy work schedule of some of the respondents was an obstacle in collecting the data.
5. Attitude of the respondents may change over time and situation.
6. There may be changes in services which in turn may influence the customers' attitude.
7. The study focused only on Life insurance business, not General Insurance business.
8. The study is associated to the LIC of India and there is no comparison with any other private life insurance companies.
9. Recently, Mayiladuthurai taluk is bifurcated as Mayiladuthurai and Kuthalam taluk at the end of 2009. The data were collected before the bifurcation. In spite of all these limitations, the researcher had taken all efforts to fulfill the objectives of the study.
1.12 Chapter Scheme

The study is divided into five chapters:

**Chapter - I** deals with research design and execution of the study. It covers importance of the study, scope, objectives, methodology and limitations of the study.

**Chapter - II** brings out the review of literature related to customers' attitude towards the services of Life insurance companies both foreign and Indian studies and gives how the present study is different from previous studies.

**Chapter - III** gives the profile of insurance industry and Life Insurance Corporation of India and its services.

**Chapter - IV** deals with analysis and interpretation of customers' attitude towards the services of LIC of India.

**Chapter - V** summarizes the major findings, suggestions and conclusion of the study.
References


1.5 *(Swiss Re, Sigma no. 4/ 2000)*


