CHAPTER 1

RESEARCH DESIGN
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1.1 Introduction

God created man and let him in the heaven but his disobedience resulted in his expulsion from the safest place. Thus he courted miseries voluntarily and made this world an insecure place. The vigilant tries to ward off the evil that may befall on him. He prays to god and simultaneously takes some security measures. When a protective insulation is offered to him he wants to take refuge in it. Hence the relevance of Life Insurance business.

Now a days life insurance is widely regarded as an important need for every individual both covering the life risk and to provide economic security to the dependent members of the family. Under life insurance the insured transfer the risk of life by paying an amount to the insurer. The life insurance contract assures that the insurer accepts to pay an agreed amount to the dependent of the insured after death. The amount which is paid by the insured will be returned as per the terms of the contract. Thus insurance is a social device which provides security to the people from the uncertainties and risks by mobilising a nominal amount offered by the life insured.

1.2 Concept of Insurance

Insurance is essentially a co-operative endeavour. Under insurance arrangement, a large number of persons agree to share the loss which a few of them are likely to incur in future. Such sharing has its own advantage. The
individual share of the loss is relatively small. When the sharing is done amongst a large number of persons the individual share remains fairly steady from year to year. Such association of persons for sharing anticipated losses may be brought about voluntarily by all participants or may be organized by a few individuals or by insurance organisation like the Life Insurance Corporation of India.

The main function of insurance in its various forms is to protect the few against the heavy financial setbacks that may befall on them by spreading the losses among many who are exposed to the risk of similar misfortune. While it is not possible to predict who amongst the many participants are likely to be the victims of misfortune, it is often possible to forecast the quantum of the loss which the group as a whole may suffer. The sharing of the resultant expected loss among all the participants ensures that the victims are compensated for the loss suffered by them. As a consequence, the heavy and uncertain loss to some is neutralized by the definite contribution of moderate amounts which every participant is required to make.

1.3 Life Insurance Corporation of India – Its Genesis

In our country life insurance services are provided by Life Insurance Corporation of India (LIC). It was established in the year 1859 as a Public sector undertaking by merging about 245 private insurance and provident fund companies. LIC has enjoyed a monopolistic position in offering life insurance services to our people. Of late private insurance companies have been allowed to start their business in India. The Insurance Regulatory Development Authority (IRDA) is monitoring the functions of the private insurance companies. LIC covers the life risk of millions of people and it is also endowed with the task of meeting
various social and economic obligations for the betterment of our country. However its main task is to provide efficient life insurance service to its customers.

Ever since its nationalisation LIC has been striving to achieve the objective of spreading life insurance cover to the socially and economically backward classes.

To achieve its objectives the Corporation opened many Branches and Divisional offices all over India. Very often new plans with attractive terms are introduced to enlist more and more people under the insurance cover. Although more plans are introduced regularly some are withdrawn due to their poor performance. The rate of premium is regularly revised. New procedures are formulated now and then and some of the existing procedures are simplified to make them effective.

In the first year of its establishment (1956) LIC was able to issue 9.42 lakh policies as compared to 2, 32, 50,078 policies in the year 2001-2002 and the number of branches also increased from 240 to 2048 during the same period. The number of active agents also increased correspondingly from 89,000 to 6.51 lakhs during the above said period. By the end of 31st March 2002 Life insurance fund was Rs.2, 33,289.03 crores and assets of the Corporation were Rs. 1, 93,621.69 crores. The product range offered by LIC has also increased from 19 to 60 plans.

For any service organisation, to do effective operation a well planned market approach is a must. In LIC, consumer oriented marketing policy is followed to

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1 Ponni Madal- Thanjavur Division News letter, Vol 5, Sep 2002, p. 4
achieve its targets. But the need for developing customer based marketing approach was recognised only at a later stage. Till 1982 the LIC was a sales organisation and its approach was more oriented to the needs of the Corporation than the consumer. The branches of LIC were acting as business procuring centres while service was left to the Divisional office. It resulted very often in delay in servicing the policy holders. There was no clear cut market segment policy in LIC to look after the specific needs of various customer groups.

The Government of India Era Chezian Committee in the year 1977-78 to look into the problems faced by the Corporation from its grass root level to the decision making authority and suggested three remedial measures. They were

1. Total decentralization of Corporation function down to the lowest level
2. Extensive computer support in the field of policy servicing
3. Splitting the Corporation into five independent autonomous Corporations with Zonal bases to ensure the optimum size.

As a result of decentralisation almost all aspects of the policy servicing were entrusted to branches. This has enabled the corporation in avoiding delay in policy servicing and also in getting easy accessibility to the customers. Most of the marketing functions like identifying the prospective customers and motivating them to take policies, policy registration, policy servicing, sales force management, settlement of claims etc are now entrusted to the branch office. However the functions like market research, advertising and publicity, market planning, etc are reserved for the central office.

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2 Era Chezian Committee, Report, 1980
1.4 Marketing strategy of LIC

The basic concept of the organisation was only sales in the beginning. Under the reorganisation scheme, a total change in the organizational structure and culture was attempted. The whole approach to Corporation's business activity was refashioned into a marketing organisation. It requires a scientific approach to study its sales techniques. On the one hand the officers are required to do environmental scanning and prepare their performance budget and plan on the basis of their resources and potential. On the other hand, given their area of operation and the constituent clientele, they are required to identify and classify the market segments in order to help design suitable products evolving right strategies for increase in sales, thereby achieving all round growth.

"As a national organisation LIC should provide optimal financial security, through life insurance as extensively as possible to diverse population in urban and rural areas, with different occupations and sources of income and in high, middle and low income levels more specially the economically weaker sections".3

For achieving the aforesaid objectives the goals are spelt out as follows:

1. Bringing about a marketing approach in the various tiers of the organisational hierarchy.

2. Better penetration into rural areas and market segments in urban and rural sectors- hitherto not adequately explored.

3. Offering adequate range of policies suitable for different segments of people.

4. Improving customer satisfaction

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3 Tryst with Trust, The History of LIC of India, 1992 p. 391
a. by evolving standards of performance for different aspects of servicing;
b. by devising appropriate procedures and systems;
c. by enhancing the commitment to service on the part of agents and employees.
d. by ensuring need based selling

5. Developing a dynamic field organisation
   a. with a good geographical spread over all parts of the country;
   b. with the capability of selling and servicing with knowledge and skill and responsiveness to the customer's needs;
   c. with a low rate of exits; and
   d. with increasing performance levels.

6. Improving cost effectiveness by
   a. ensuring a high rate of conservation of business;
   b. lowering the procuring and servicing costs;
   c. optimising the product mix;
   d. maximising productivity in the field and in the office; and
   e. improving the quality of supervision and control over personnel.

With a view to achieve the above marketing objectives LIC has established marketing departments at various levels.

In order to systematise the planning and budgeting exercises the LIC has identified the following segments.

1. Professional and managerial Group
2. Regular Income group
3. Self employed

4. Agricultural landlord and labour group.

This segmentation was done,

i) to ensure systematic analysis of environmental and economic data to determine the market potential and to plan the level of performance for each market segment;

ii) to determine in detail the marketing strategies needed to develop different market segments and the field organisation needed to achieve the purpose; and

iii) to estimate the total resources needed to achieve the planned level of performance and profitability and sustained growth.

After the adoption of marketing concept in the place of sales concept, LIC has made remarkable improvements in the development of new plans, pricing strategies and promotional ideas and distribution channels. With that the business of the Corporation also increased many fold. LIC has also improved its quality in servicing functions to a larger extent by transferring the functions to branches.

Although the need for marketing approach is recognised by LIC, there is a wide spread feeling that the importance of marketing orientation is not realized throughout the organisation, particularly at the grass root level. The adoption of marketing concept in LIC is still in the beginning stage. Therefore, there is a need to continuously review its marketing operations and identify the deficiencies existing in the present set up. Keeping this point in view an attempt has been made here to review the marketing of LIC services from point of view of its marketing mix elements which are being used in implementing its programmes.
1.5 Life Insurance – A conceptual frame work

Insurance

A family is generally dependent for its food, clothing and shelter on the income brought in at regular intervals by the breadwinner of the family. So long as he lives and the income is received steadily, that family is secure; but should death suddenly intervene the family may be left in very difficult situation and sometimes, in stark poverty. Uncertainty of death is inherent in human life. It is uncertainty, that is risk, which gives rise to the necessity for some form of protection against the financial loss arising from death. Insurance substitutes this uncertainty by certainty. Not only does the LIC provide protection to an individual who saves a paltry sum by insuring his/ her life but also mobilises these funds and invests the amount in nation building activities.

Service marketing

In the service marketing, the service providers are supposed to influence and satisfy the customers. A service company or an individual may act as a provider who requires professional excellence to influence the prospective customer and to transform him into an actual customer. While buying services offered by service generating organisation in a true sense we buy time, knowledge, skill or resources. Marketing of service means marketing something intangible. No one can deny the fact that selling of promises complicates the task of marketers since they find it difficult to identify the stage where the service starts degenerating or the time when the promises fail. Either directly or indirectly more problems are there in the marketing of services. They are market segmentation, market information system, behavioural management etc.
A life insurance company which basically sells the service of protection expects its marketing staff to provide information about the potential buyer or the prospects and the kinds or types of insurance service they need and want.

The key concepts of service marketing are as follows:

a. It is a managerial process of managing the services

b. It is an organised effort for providing a sound foundation for the development of an organisation.

c. It is a social process helping an organisation to understand the emerging social problem and to take part in the social transformation process to justify its existence in the society.

Characteristics of Services.

Services can be defined as a human effort which provides succour to the needy. It may be food to a hungry person, water to a thirsty person, medical services to an ailing person, and education to a student, loan to a farmer, transport to a consumer, communication aid to two persons who want to share a thought, pleasure or pain.

Attending a play, calling the police for assistance, travelling by transport, consulting doctors and indulging in recreations come under the category of receiving a service.

Service has a number of unique characteristics and it is entirely different from products. Some of the common characteristics are:

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(i) **Intangibility**

A service by nature is an abstract phenomenon. While selling or promoting services, a provider should concentrate on the benefits and satisfaction which a buyer can derive after buying services that carries with them a combination of intangible perception. For instance, an airline sells its service by carrying passengers from one destination to another.

(ii) **Perishability**

If the goods are not sold today they can be stored and preserved for selling the same product in future. But in the case of service, if it is not marketed today, it is a loss for ever. Services cannot be stored or preserved. If the demand for service is steady perishability is not a problem. If the demand is volatile, the service industry will face many problems.

(iii) **Inseparability**.

Services are not separable in nature from the time of their production and actual supply. Services are created and supplied simultaneously like the dance from the dancer, medical attention or treatment from the doctors. They are created and offered at the same time. The inseparability thus makes it essential that the service providers should act and behave professionally. So that marketing processes do not degenerate in their quality.

(iv) **Heterogeneity**

Quality cannot be standardized in services. The nature of quality may be too high or too low. The same type of services cannot be sold to all the customers even if they pay the same price. The heterogeneity factor makes it
difficult for the service providers to market efficiency. The professionals by using their excellence bear the responsibility of minimising the problem.

(v) Ownership

When a consumer buys a product he becomes the owner of it - be it a pen, a car, shirt, book or a television. But in the case of service one may pay for its use but can never own it. By paying a fare a traveller can travel either on a bus or on a train, but cannot own it.

(vi) Simultaneity

Services cannot be delivered to customers or users. Service doesn't move through the channel of distribution. For availing the services, it is essential that the users are brought to the provider or the providers. This can be explained by an example. Hotel rooms cannot be brought to the users, but the users have to go to the hotels. All services have limited geographical areas.

(vii) Quality Measurement

The quality of service cannot be measured. We can quantify the food served in a hotel, but the way in which a waiter or a carrier serves it or the overall environment or behaviour of other staff cannot be ignored while rating the hotel service. A firm sells atmosphere, convenience, consistency, status, anxiety, etc along with its products.

(viii) Nature of Demand:

The nature of the demand for services is a fluctuating one and depends upon the seasons. During the peak season an abnormal demand for service can be seen. For example during the summer season the tourist spot will have more visitors.
Offer of Service

The service component can be a minor or a major part of the total offer. In fact the offer can be in the form of pure goods on the one hand or pure service on the other. Four categories of offer can be distinguished.

a. Pure tangible goods.

Here, the offer consists primarily of a tangible good such as soap, tooth paste. No services accompany the product.

b. Tangible goods with accompanying services.

Here the offer consists of tangible goods accompanied by one or more services to enhance their customer appeal. A two wheeler manufacturer sells a two wheeler with a warranty, service maintenance instructions etc.

c. A major service with accompanying goods and services.

The offer consists of a major service along with some additional services.

Airline passengers while availing themselves of transportation service arrive at their destination without having anything tangible to show for their expenditure.

However the trip includes food, drinks, and airline magazine.

d. A pure service

Here pure service includes psychotherapy and massages. It is difficult to generalise services unless some further distinctions are made. Services vary as to whether they are people based or equipment based. Equipment based services vary in turn depending on whether they are automated or performed by unskilled operators. People based services can be provided by unskilled, skilled or professional workers.
Some services require customers’ presence. For e.g.; a heart surgery requires a patient’s presence whereas an automobile repair does not. If a client is present in a hospital or shop the service provider has to consider his or her needs. A beauty shop operator invests a lot of money in sops like shop’s décor, music etc.

**Task of servicing organisation**

Many service institutions are facing three tasks; those of increasing their (i) competitive differentiation (ii) quality service (iii) productivity.

**a. Managing Competitive Differentiation**

Most of the service marketers find it difficult to differentiate their service from other competitors. In customers view a service is fairly homogeneous and they care less about the provider than the price. To solve the problem of competition the service institution has to provide a different offer and enhance its image.

**b. Managing Service Quality**

In order to distinguish one’s service from other competitors a service provider should deliver consistently better quality service. The consumers expectation can be fulfilled only by their past experience, verbal communication and advertisements. Consumers choose their service providers on the above said basis only. They compare the received service with the expected service. If the received service falls below the expected one the customers lose interest on the service provider. Service providers must do their best to identify the expectations of their target customers with respect to each specific service.
c. Managing Productivity

Service industry always aims to improve its productivity. As it is a labour intensive one, cost will also increase rapidly. Service providers can expand their scale of operation by working hard with more skill and by improving their quality of service.

Marketing Mix in Service Marketing

Marketing is an art, and the marketing manager as a head, must creatively marshal all his marketing abilities to advance the interests of his firm, both in the short run and in the long run. In short a marketer is a ‘mixer of ingredients’ who blends various marketing activities in a manner that furthers the interests of the firm. The crux of any marketing strategy is to bring about the desired operations in the light of prevailing circumstances. The strategy basically involves the utilisation of the available tools, and their planned manipulation to get optimum results in a limiting environment.

The phrase ‘marketing mix’ was first used by Neil H. Borden. “The most popular 4 Ps framework is suggested by Mc Carthy with the marketing mix variables- Product, Place, Promotion, and Price. Since the marketing mix tools originated from the study of the manufacturers – i.e. the organisations engaged in production and marketing goods – it is more oriented to deal with goods and marketing situations. However, service characteristics are significantly different from goods; and so are the challenges in their marketing. Therefore the conventional marketing mix needs to be modified and broadened.”

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Given the service characteristics and activities in service firms, a seven Ps framework for services has been proposed. The additional prescribed Ps in the framework refer to activities that are essential to meet the challenges posed by intangibility, service provider-customer interaction and customer involvement in service consumption and production. The service marketing mix is as follows.

- **Product**
  - Service core, levels, additional services, branding.

- **Price**
  - Price discounts, terms of payment.

- **Place**
  - Location, channels of distribution, coverage.

- **Promotion**
  - Advertising, promotion, publicity.

- **People**
  - Customer—provider relationship, training, culture, skills, and attitudes.

- **Physical Evidence**
  - Ambience, appearance, equipment, machines, buildings, physical facilities.

- **Process**
  - Activity sequence, quality management, customer participation, deliver process.

### 1.6 Review of Literature

The studies relating to Marketing of Life Insurance are very few. The available studies are in the form of research articles, committee reports and surveys conducted by LIC. No comprehensive study has been taken up so far on Life Insurance marketing. An attempt has been made here to briefly review the previous studies made in the area of marketing of life insurance.
Rajkumar (1985)\(^6\) made a study of “The Role of Insurance Advertising”. In this study, the author has examined the problems involved in insurance advertising and suggested certain measures to improve the effectiveness of advertising. He suggested the use of humour in advertising to capture the attention of prospective customers. He also emphasized the need for carrying the message of life insurance to the people without creating unpleasant feelings. He also suggested pre testing the copy before it is advertised.

Shesha Ayyar. V. (1986)\(^7\) in his article entitled “Product Development” has discussed various issues connected with developing new policies such as the importance of developing new Schemes and various problems involved in the development of new schemes in LIC. He suggested the need for including ancillary benefits in the policies such as accident benefits, disablement benefits and hospitalisation benefits.

Rajan Saxena (1986)\(^8\) in his article entitled “Marketing of Life Insurance Services” discusses various issues relating to life insurance marketing. The author insists on the importance of applicability of marketing concept to the life insurance and discusses various strategies in the marketing of life insurance.

Ashis Deb Roy (1987)\(^9\) in his article entitled “We care for Our Customers” has examined the nature and importance of better customer services to policyholders and has emphasised the need for quality in service. He has given a detailed note on the various steps to be taken by LIC to improve the customer service such as training programmes conducted by LIC to its agents and

\(^7\) Shesha Ayyar.V. “Product Development” Yogakshema, July 1986, p.16
\(^8\) Rajan Saxena. “Marketing of Life Insurance Services”, Yogakshema, December, 1986 p15
\(^9\) Ashis Deb Roy. “We care for our Customers” Yogakshema, April, 1987, p.4
employees, opening new branches and introduction of computers in LIC branch offices.

Venkatesh (1987)\textsuperscript{10} in his article entitled "On the Trail of Better Service" has discussed the importance of better and personal servicing to the customers and has emphasised the importance of satisfying the policy holders.

In 1987,\textsuperscript{11} the planning wing of the LIC Divisional office Thanjavur conducted a sample survey on "Customer Satisfaction". The objectives of the study were to find the level of consumer satisfaction regarding the services of LIC, particularly on the aspects such as timely dispatch of discharge forms, reminders, the cooperation given by agents or development officers, courtesy and sympathy of LIC officials, receipt of the policy amount within the due date etc. The results of the study revealed that:

a. Discharge forms are received before the due date by seventy nine per cent of the policy holders
b. Eleven per cent of the policy holders approached the agent or development officer for help in the submission of the requirement and they are happy with the services rendered by them.
c. Twenty one per cent of the policy holders submitted the requirements after receiving a reminder from the branch office.
d. Six per cent of the policy holders approached the branch office for the discharge forms.

\textsuperscript{10} Venkatesh, N.C "On the trail of Better Service", Yogakshema, November, 1987, p, 28
\textsuperscript{11} "Customer Satisfaction with particular reference to Maturity Claims" Special study No.1, 1987, Planning Department, Divisional office, LIC, Thanjavur Division
e. Two per cent of the policy holders revealed that they have to visit the branch office for the cheque as there was delay.

f. Ninety per cent of the policyholders were satisfied with the prompt service rendered by the branch office.

g. In respect of one policy holder there was a delay of more than two months due to the delay in the transfer of loan docket from the other division.

h. Some policy holders stated that the Corporation should insist the agents and development officers render all possible help to their clients at the time of claim and survival benefits settlement.

The overall conclusions from the above study were:

a. There is an imperative need for keeping up the tempo of maturity claims settlement operations at the present level.

b. It is desirable to verify the policy ledgers every fortnight for omissions in the computer list so that the delays can be reduced and all the claims can be settled before the due date.

c. A few policy holders, who expressed their grievances at the delay, could have been satisfied, if some courteous and prompt attention had been paid to them when they came to office.

Mishra, M.N. (1987)\(^{12}\) made a study to appraise the marketing strategies of LIC of India. While reviewing the marketing strategies, the author felt that before 1980 LIC did not give much attention to the objective of customer satisfaction. But from 1980 onwards the Corporation has taken several remedial measures to

provide better customer services and improve the consumer satisfaction.

However, the author has noted the following weaknesses in LIC

a. Existence of more number of dormant agents

b. Inactive agents have increased over a period of time. The inactive agents have swelled to 37 per cent in the past five years.

b. The existing strength of LIC agents has not been properly utilised.

c. Lack of training and motivation.

The study concluded that there were many opportunities to develop new products to devise new services, to find new ways of distributing products and to discover new and creative means of promotion.

The Insurance Institute of India prepared a project report on Marketing of Life Insurance (1987). This project was undertaken to examine the following aspects:

- Extent of life insurance coverage among different segments of the population.

- Awareness, attitudes and beliefs of people on life insurance and LIC.

- Perceptions of the field force and staff of the LIC.

- Sense of identification of employees (including agents) with LIC.

The following are the important conclusions arrived at from the study:

i). Life insurance is a better avenue of investment than bank deposits. National Savings Certificate is less popular than bank deposits and life insurance, everywhere in all groups. Investments in shares, deposits or debentures do not matter much.

13 A project on "Marketing of Life Insurance", Insurance Institute of India, Bombay, 1987
ii). Forty per cent of the uninsured thought that they did not need insurance and twenty per cent had not been approached. Thirty per cent thought insurance was too costly.

Most of these persons are in age, income and occupation groups where life insurance needs are usually very pronounced. Those not approached included executives, managers and doctors.

iii). Agents do not maintain regular contacts with policy holders. Those who do maintain regular contacts do so once in a month. But most of them are available whenever they are called.

iv). Most of the policy holders have bought policies to provide security to the family. Only about a third has bought to obtain tax concessions.

v). About one seventh of the insured policy holders are not sure of the benefits under life insurance. Most of the policy holders think the bonuses under the policies are good.

vi). One third of the respondents have reservations about the LIC’s sincerity in settling claims promptly.

B. S .R. Rao and Appa Rao Machiraju (1988)\(^1\) in their article entitled “Life Insurance and Emerging Trends in Financial Services Market” contends that the agents of life insurance should improve their services to the level of financial experts. Agents should change themselves to the current economic environment where they do their work. The authors felt that the change in the economic scenario would help the Corporation in the marketing field.

Raghunadhan (1988)\textsuperscript{15} in his article "Population-Insurable and Insured" made an attempt to analyse the insurance coverage of the insurable population and concluded that more self employed and agricultural labourers are to be tapped. The author gave a suggestion to improve and introduce new schemes to satisfy the groups.

The National Council of Applied Economic Research (NCAER) New Delhi\textsuperscript{16} conducted two surveys in 1988 and 1989 on "Appraisal of quality service in service organisations" and "Quality services in LIC" respectively. These two studies were sponsored by the LIC.

In the first study, an attempt was made to find out the quality of services from the point of view of the consumers. Five factors i.e., time lags, target completion, service without being knocked around, courtesy and guidance constitute quality service from the consumer's point of view. The consumers expect the following from the employees to determine the quality of service. They are i) reliability ii) response iii) capability iv) politeness v) communication skills. vi) safety vii) trustworthiness viii) understanding.

The second study was conducted to assess the quality of service rendered by LIC. The foremost object of the study was to appraise the quality of service rendered by the Corporation from the point of view of policy holders.

The findings:

a. The policy holders' general feeling is that the demand notice must be sent in time. Nearly seventy five per cent of rural and eighty per

\textsuperscript{15} Raghunathan. R. "Population—Insurable and Insured" Yogakshema, February 1988, p.15

\textsuperscript{16} "Survey on Quality of Services", National Council of Applied Economic Research, New Delhi, 1988
cent of urban policy holders receive the premium demand notice in time from the corporation.

b. Ninety four per cent of rural and thirty five per cent of urban area policy holders receive their premium receipts regularly. Under the SSS ninety six per cent in rural area and ninety three per cent in urban area remit their premiums regularly through monthly deductions.

c. Regarding the change of address twenty six per cent of policy holders in the rural areas and thirty four per cent of policy holders in the urban areas get it executed in less than 10 days of time. Some fourteen per cent had a problem in change of address.

d. Only a few per cent in rural areas and 20 per cent in urban areas have knowledge about the bonus rate announced by the Corporation from time to time.

e. Some policy holders rated the quality of services as ‘excellent’ and the main reasons for this are:
   - Smooth procedures and formalities.
   - Premium notices are sent in time.
   - Good services at the cash counter while making payments.
   - Even small problems are solved in short time.

vi). Few policy holders rated the services as ‘poor’ because:
   - Very poor maintenance of records
   - Tedious and lengthy formalities in some services
   - Defective loan sanctioning procedures
Discourteous behaviour of employees
Delay in claims settlement
Heavy confusion in transfer of policies, alterations etc.

Patki V. V. (1989)\textsuperscript{17} in his article "Rural Marketing" discussed the problems of selling the life insurance in the rural areas and gave many suggestions to penetrate in to the rural market. The suggestions are participation in village fairs, using audio-visual methods and explaining the merits of the life insurance to the villagers etc.

Shejwalker (1989)\textsuperscript{18} in his article "Training in Life Insurance Marketing" discussed the importance of trained agents force to develop the life insurance business. He stressed that present selection pattern of the agent should be changed. He expressed his opinion that private or independent institute should be invited to impart training to the agents.

Seetaramaiah (1992)\textsuperscript{19} in his article entitled "Fluctuations in New Business" identified the reasons for heavy work load on new business during the year ending period. He suggested some steps to overcome them. They are closing the half yearly accounts in September, giving heavy discount for the premium received in the first quarter, giving a special rebate of premium in the lean months, and completing the promotion and posting of officials by the first week of April.

\textsuperscript{17} Patki, V. V. "Rural Marketing" Yogakshema, May, 1988, p. 38
\textsuperscript{18} Shejwalker, P. C. "Training in Life Insurance Marketing", Yogakshema, August, 1988, p. 27
\textsuperscript{19} Seetaramaiah, M. "Fluctuations in New Business" Yogakshema, December, 1992, p. 24
Shekar Chandra Sahoo (1998)\(^{20}\) in his article "Future marketing Strategies for Life Insurance" discussed various issues relating to life insurance marketing. He has given a detailed note about new kinds of products and intimacy with the market and a constant technology adoption for survival as well as for a consistent growth. Innovative business concepts will have an even more powerful impact on the organisation future and its place in the global market.

Lajpat Ray (1998)\(^{21}\) in his article entitled "The Unending end in the Millennium problem and its implications for the Insurance Industry" discussed various problems connected with the usage of computer because of Y2K problem in the insurance industry and how to tackle it.

He gave suggestions to:

a. Evaluate the existing portfolio and categorise the risk
b. Evaluate the trends in the society and find out whether it is litigious society or otherwise
c. Use outside experts to verify or correct system problems
d. Create a time table to implement the year 2000 project.
e. Invent all hardware and software
f. Investigate compliance plans of suppliers and customers with whom data is exchanged electronically
g. Set up contingency plans and to encourage management commitment in rectifying the problem.


Shesha Ayyer V. (1999)\(^{22}\) in his article entitled ‘New Insurance products in the next Century’ expressed his views about new products. His views are:

a. The possibility of the aged living too long has become real because of advancement in medical facilities. Pension schemes have thus become popular though at a slow pace. This is an area which is yet to be exploited and popularised.

b. The concept of the role of insurance agencies is also witnessing evolutionary changes. A life insurance agent is expected to call up and to advise a family on house holders’ policy. This kind of service will improve the liaison between the agent and the prospective policy holders.

c. The poignant human drama of divorce can be a potential gold mine for venturesome insurers. Divorce rates are increasing and husband / less wives find it difficult to support the children on single income. The insurer can look in to the problem and introduce new schemes to fit them.

Vijayavani J.(1999)\(^{23}\) in her prize winning technical paper entitled “Cost effective Distribution Channels of Life Insurance Products” discussed the various methods to improve the channels of distribution. They are:

a. The concept of floating rebate schemes to the customer not only spreads insurance coverage but also attracts extra customer.


b. By using E-Commerce concept, the insurance vendor can introduce the online market information, online premium payment, online complaints, online transfer of policy etc. This may require further advancement in the existing software technology with LIC. The number of internet users is also bound to grow dramatically. So LIC can provide this type of facility to its customers and reduce the distribution cost.

c. Accepting business through direct agent may reduce the cost by avoiding another tier in the distribution channel, i.e. Development officers.

d. Agent’s Rule 1972 provided agencies to co-operative societies to tap policy holders. But it failed. So the insurance with banks, mutual funds and benefit consultants, brokerage and benefit consultants, company and fund managers, insurance and hospitals can be introduced.

e. Multiple agentship i.e., an agent can represent many insurance companies – may be followed to reduce the distribution cost.

Vinay Verma (1999)\(^{24}\) in his technical paper entitled “Retailing Personal covers”- A Marketing Approach gave some suggestions to improve the insurance business. He suggested health insurance products for different segments. As the need of the target groups should be developed, he insisted door to door canvassing of personal insurance by the agents. He further suggested that free offer schemes should be introduced to the customers to improve business.

Vijay Srinivas K.B. (2000) in his article entitled “How returns linked insurance products can be popularised” emphasised that the insurers should link the insurance product with other benefits. Low incomes, social structure, lack of understanding among the public, lack of availability of new schemes are the main reasons for low priority for insurance in India. To avoid this the author has insisted on returns linked insurance.

Shesha Ayyar (2000) in his article “Insurance Reforms - what are the Implication?” stated that the private insurers would have a break-even period between 7 to 10 years. Private insurers will take some years to generate profit because they require more funds for further growth. Thus the notion that foreign firms will come in and Indian savings will flow out is not true.

Anabil Battacharya (2000) in his article “Indian Banks - Entry in to Insurance Sector” has stated that the banking industry is penetrating into the insurance industry. He suggested that the eligibility criteria (framed by the IRDA – minimum net worth to the extent of Rs 500 crores, reasonable level of Non Performing Assets of the bank, continuous profit for the first three years) might be relaxed (10% of the net worth Rs 50 crores as minimum net worth).

Kishore R.B (2001) in his article “A holistic view of Insurance Reforms and a Blue Print for strengthening LIC” stated that there is an enormous scope for a big breakthrough and an accelerated growth with keen healthy competition.

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25 Vijay Srinivas K.B, “How returns linked insurance products can be popularised” The Journal, July- December, 2000, p.67
27 Anabil Battacharya “Indian Banks – Entry in to Insurance Sector” The Journal, July-December,2000, p.79
forecast that the insurance industry would generate 8 to 10 lakhs jobs in the next 5 to 7 years.

Shaoo .S.D (2002)\textsuperscript{29} in his article “Rebating in Insurance” gave suggestions to overcome the problem of rebating. LIC is paying 35\% as first year commission to its agents. It can be spread over subsequent years. If a policy holder fails or subsequently defaults the commission paid to the agents should be recovered. To implement this IRDA has to make amendment in the IRDA Act 2000.

Rudra Saibaba (2002)\textsuperscript{30} has conducted an enquiry on “Perception and attitude of women towards life insurance policies”. According to him 75\% of women perceived that life insurance plans provided a coverage against future risk; 58\% of women felt that insurance provided accidental coverage; nearly 41\% of women considered insurance beneficial for availing housing loans; 70\% of the respondents are satisfied with the services offered by the Corporation. 58.75 \% of the women knew about the different types of policies available with the Corporation. 41\% of the respondents have not taken any new policies.

His suggestions are as follows:

1. Women must be convinced on the basic need for insurance of their lives.
2. Women development officers should be appointed.
3. Apart from the regular commission special commissions may be given to the agents.


\textsuperscript{30} Dr. Rudra Saibaba “Perception and attitude of women towards life insurance policies” – Indian Journal of Marketing Vol XXXI October 2002 p 10 .
4. LIC insists that the value of policy taken by women should not exceed her husband's insurance policies. This is undoubtedly restricting the desire of women. Therefore the Corporation should make necessary amendments to remove this hurdle for enabling women to assure higher amount of sum in policies.

5. In case of medical reports (Gynec reports) some relaxation may be given.

Mittal R.K. (2002)\textsuperscript{31} in his article "Privatisation of Life Insurance sector in India- Impact and Perspective" stated that 10 per cent of the agents procured 90 per cent of the business and remaining 90 per cent of the agents procured the remaining 10 per cent of the business. Most of the agents did this as a part time job. Due to these maladies a vast portion of the population remained uninsured. He forecasts that private insurance companies are likely to target village population which is hitherto untapped and there is enormous potential business in this area. If the awareness towards insurance is ignited vigorously the untapped potential business can be translated into actual business.

1.6 How the present study differs from earlier studies

In Indian economy service sector has overtaken both agriculture and industry in contributing to the Gross Domestic Product (GDP). During the last decade it contributed 51 per cent to the total share of the GDP and the

contribution of LIC is significant. The progress of LIC of India since nationalisation is commendable. Till date it enjoys monopoly in the insurance sector. Although LIC and other research organisations have conducted surveys and researches for the betterment of policies and aimed at only the improvement of business at National and Zonal levels, no study centered around the marketing mix of life insurance customer service. The present study aims at the important issues connected with the marketing mix and the extent of services rendered to the customers. Efforts have been taken to analyse the ratio of number of branches available in proportion to the people covered under various insurance plans. An attempt has been made to make this study a comprehensive one. Scopes for further researchers in this regard are still possible.

1.7 Statement of the Problem

After Independence our political leaders took an oath to improve the economic condition of Indians. Various social welfare measures were adopted for the development of India. Five Year Plans were drawn to develop agriculture and industry. In order to meet the financial requirements of the plan, various steps were taken to mobilise funds. One such step was nationalisation of life insurance companies. Mr. C.D. Deshmukh the then Finance Minister described it as a further step to mobilize the people's savings for financing the Five Year Plans. Because of nationalisation people get security to their money and encouragement to their saving habit. Before nationalisation of LIC there were about 245 insurance companies doing life insurance business and most of them were about to wind up because of deep financial crisis
In 1956 (in the year of nationalisation) LIC was able to sell 5,67,357 policies worth Rs. 200.28 crores as the Sum Assured. In the same period its life fund was 447.81 crores and the total number of agent were 2, 07,373. On 1st September 1956 LIC started its function with 5 Zonal offices, 33 Divisional Offices, and 212 branches. During 2001-2002 LIC was able to issue 2, 32, 50,078 policies worth Rs. 1, 92,575.36 crores as Sum Assured. In the same period its life fund was Rs. 2, 33,289 crores and the worth of total assets is Rs. 1, 93, 621.69 crores. The strength of agent is at present 8, 23,000. As on 31.3.2002 LIC has 7 Zonal Offices, 100 Divisional Offices and 2048 branches. During the Ninth Plan period LIC invested Rs. 46,000 crores in various nation building schemes.

LIC today is facing competition not only from the private institutions offering life insurance schemes but also from multinational corporations offering competitive schemes. In the light of the changes that have been taking place after the introduction of new economic policy in 1991, the role of LIC in marketing its schemes has undergone tremendous change. This study aims at understanding its marketing role. The study deals with the different types of policies offered by the LIC in order to tap the savings of the public. It also discusses the success and failure of them. As premium is the main source of income to the Corporation, this study attempts to investigate the mode of fixation, modification and payment of premiums. When banking services have spread all over the country even to the most remote villages, to mobilise the savings of the people, LIC has confined itself to only cities and towns. The village mass are totally neglected and they go without the benefit of life insurance coverage. The study aims to analyse the location pattern of branch offices, geographical
distribution of sales force and the accessibility of LIC services. To ensure a close rapport with the policy holders, modernisation of LIC offices is essential. The researcher attempts to find out the availability of infrastructure and amenities to provide to the clients in branch offices. Staffing function of LIC has been discussed in order to develop the professional efficiency of the sales force for maximising life insurance coverage. Thus the study focuses its attention on all the important issues relating to the marketing of life insurance services.

1.8 Objectives of the study

The main objectives of the study are:

i). To examine the product related issues like product lines, product mix, product development process and product performance of LIC plans.

ii). To study the aspects relating to fixation of premium, premium modification and mode of premium payment.

iii). To examine the location pattern of branch offices, geographical distribution of sales force and accessibility of LIC services.

iv). To examine the physical facilities provided to the policy holders at the branch office and to ascertain their views.

v). To enquire the modalities adopted by LIC in the selection, training and motivation of Employees, Agents and Development Officers and to assess their overall performance.

vi) To identify the problems involved in marketing of life insurance services and to offer suitable suggestions to improve the marketing efficiency of life insurance services.
1.9 Hypotheses

1. Investment factors such as risk coverage, income tax relief and others do not have any influence on income.

2. Advertisements do not have any influence on policy holders.

1.10 Methodology

The study is both descriptive and analytical in its nature and data have been collected from primary and secondary sources. Primary data have been collected from the policy holders, agents and development officers through questionnaire. To get a comprehensive idea about the policy holders' views the researcher entered into fact finding interviews. For this purpose a detailed schedule was prepared and opinions were ascertained. Two separate questionnaires were prepared for agents and development officers to collect the required data. The secondary data have been collected from the annual reports of LIC records and documents of various departments of Divisional office, publications of LIC Agents manual, Servicing manual for agents, Tryst with Trust and leading journals and magazines and text books.

Sample Design

Although Thanjavur Division has eight districts only one district has been selected for study. From the five branches of LIC in Thanjavur district 200 policy holders (40 policy holders from each branch) have been selected on stratified random sampling method.

20 Agents and 4 Development Officers from each branch have been selected for the purpose of the research.
Tools for analysis

While analysing the quantitative data, statistical techniques like, trend analysis, correlation and chi square test have been used. Collected data were presented in the form of tables, bar diagrams, pie diagrams and charts.

1.11 Period of the Study

This study covers a period of ten years from 1992-2002 and analyses the secondary data relating to various aspects of LIC marketing. The primary data relating to the opinions of the policy holders, Agents and development officers have been collected in the financial year 2001-2002.

1.12 Area of the study

This study is confined to Thanjavur District only as the Divisional office is located in the Thanjavur. Although the Thanjavur Division covers eight districts namely, Thanjavur, Trichirappalli, Karur, Pudukkottai, Perambalur, Thiruvarur, Nagapattinam and Karaikal, the researcher has taken into account all the five branches located at Thanjavur, two at Kumbakonam, one at Pattukottai of Thanjavur District for his study.

1.13 Limitations of the study

The study like any other empirical study has several limitations. Even though insurance covers both individual and group, this study is confined only to individual insurance. This study does not deal with the other activities of LIC like mutual funds, housing finance, LIC investments etc. The term ‘marketing’ includes various functions but this study is confined to the four P’s of the marketing mix only. In-depth analysis of the study is restricted to the branches in Thanjavur District. This study is essentially carried out at a micro level.
generalisations and conclusions derived from the study are based on the size of the samples and the availability and authenticity of the data.

1.14 Chapter Scheme.

This study is organised into seven chapters including introduction and conclusion.

The first chapter is an introductory chapter. It covers the importance of marketing in service industry and focuses on the need and importance of the study. It also explains the objectives of the study, period of the study, statement of the problem, how this study differs from the earlier studies, source of data, sample design, methodology, data analysis and limitations of the study. A brief discussion of theoretical aspects of service marketing and review of earlier studies has also been discussed in this chapter.

Profile of the LIC is presented in the second chapter. It discusses historical perspective, organisation structure and performance of LIC in the last ten years period in terms of its growth in business. It also presents a brief profile of one Divisional office and some branch offices.

The third chapter is devoted to the study of products, pricing decisions of LIC, location of branches and infrastructure available in the offices of LIC. It includes the aspects of LIC policies and premiums on different policies offered by LIC, product review, and fixation of premium rates, mode of payment and review of premium rates.

Fourth chapter covers the various factors connected with the establishment of branch offices, agents' reach of customers, physical facilities provided by LIC at its branch offices.
Promotional aspects of personal selling and advertisement of LIC are discussed in the fifth chapter.

The procedures followed by the LIC in rendering services and the feedback of the policy holders, agents, and development officers are analysed in the sixth chapter.

The last chapter consists of the findings of the study and the suitable suggestions for further improvement in the LIC business.