CHAPTER II

PROFILE OF THE LIFE INSURANCE CORPORATION OF INDIA.

The Life Insurance Corporation of India has been established by an act of Parliament received the assent of the President on 18th June 1956 and the corporation began to function of 1st September 1956, LIC plays a stupendous role in our planned economic development by mobilizing the savings of the people into productive channels. It is a wholly owned Government Corporation. From that day onwards the corporation is having exclusive privilege of carrying on life insurance business in India. The original capital of the corporation shall be five crores of rupees provided by the Central Government after due appropriation made by parliament. The Central Government may be notification in the official gazette appoint there shall be established a corporation called the Life Insurance Corporation of India. The corporation shall be a body corporate having perpetual succession and a common seal with power subject to the provisions of this act to acquire, hold and dispose of property and may by its name sue and be sued.

The corporation shall consist of such number of persons not exceeding fifteen as the Central Government may think fit to appoint there to and one of
them shall be appointed by the Central Government to be the Chairman thereof. The nationalization of LIC aims at widening the channels of public savings and is a significant step towards mobilizing these savings more effectively to finance national plans. Nationalised insurance was designed to ensure complete security of the funds collected by way of premiums and to utilized profitably such funds for nation building activities. The Government of India guarantees the payment in cash the sums assured by the policies issued by the corporation including bonus declared in respect of such policies. This provides security to the insuring public. The corporation, once in every two years investigates into the financial condition of the business of the corporation and submits report to the Central Government. However, the valuation is done every year. If any surplus emerges not less than 95% of such surplus is required to be allocated for the policyholders of the corporation and remaining will be utilized for such purpose and in such manner as the Central Government may determine. The life fund, so invested for the benefits of the community at large has accumulated to Rs.2, 27,008.98 cores as at 31st March 2002 after claim managing expenses are settled.

The corporation assistance to industry LIC extends resources support to term lending institutions. The LIC also grants term loan, for the setting up of industrial estates. The share of backward areas in total assistance of LIC stands around 15%. The LIC came into being in 1956 after the nationalization
and merger of about 250 independent Life Insurance Societies. It is headquartered in Bombay. The LIC of India invests a considerable part of its funds in shares and loans of the Industrial Finance Corporation of India, The State Financial Corporations and the shares and debentures of joint stock companies. The corporation also undertakes to underwrite the issue of shares of joint stock companies. The process of nationalization of life insurance is divided into two parts,

i. Termination of Personal Management and

ii. Termination of Ownership Management (Private)

The central office of the corporation shall be at such a place as the central government may, by notification in the official gazette, specify. The corporation constitute an investment committee for the purpose of advising it in matters relating to the investment of its funds and the investment amount shall consist of more than seven members of whom not less than three shall be members of corporations and the remaining members shall be person who have special knowledge and experience in financial matters, particularly matters relating to investment of funds. The corporation may constitute such other committees as it may think fit for the purpose to discharge such of its functions as may be delegated to them.
MEANING AND DEFINITION OF LIC CONTRACT

Life Insurance contract may be defined as the contract, whereby the insurer in consideration of a premium undertakes to pay a certain sum of money either on the death of the insured or on the expiry of a fixed period. Life insurance is a contract for payment of a sum of money to the person assured on the happing of the event insured against usually the contract provides for the payment of an amount on the date of maturity or at specified dates at periodic intervals or at unfortunate death if at occurs earlier. Life insurance is universally acknowledged to be an institution which eliminates “risk”. Substituting certainty for the uncertainly and comes to the timely aid of the family in the unfortunate event of death of breadwinners. Therefore Life Insurance is a contract for the payment of sum of money to the policy holders.

The definition of the Life assurance contract is enlarged by section 2 (ii) of the Insurance ACT 1938 by including annuity business. “Since the Life insurance contract is not an indemnity contract the undertaking on the part of the insurer an absolute one to pay a definite sum on maturity of policy at the death or an amount in instalment for a fixed period or during the life.”

MANAGEMENT OF LIC

The corporation will establish one board at every zone. The appointment of members and the members are determined according to corporation. These boards suggests on the zonal management on the rules and regulations of the

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corporation. The corporation may appoint one or more persons to be the Managing Director or Directors of the Corporation and every Managing Director shall be a whole-time officer of the corporation.

AUDITING OF LIC

The account of the LIC shall be audited by auditors duty qualified to Act as auditors of companies under the law for the time being in force relating to companies and the auditors shall be appointed by the corporation with the previous approval of the Central Government and shall receive such remuneration from the corporation as the Central Government may fix. Every auditor in the performance of his duties shall have at all reasonable time access to the books of accounts and other document of the corporation. The auditors shall submit their report to the corporation and shall also forward a copy of their report to the Central Government. If as a regular of any investigation undertaken by the corporation under sec.26 and surplus remerges not less than 95% of such surplus shall be allocated to a reserved for the policy holders of the corporation and the remainder may be utilized for such purposes.
LIC’S INVESTMENTS

LIC has over the years been investing a major part of its funds primarily in the socially oriented sector. As at 31\textsuperscript{st} March 2002, 87.24 percent of its total investments were in the public sector, 1.03 percent in the corporate sector and 11.73 percent in the private sector.

### TABLE NO.2.1
INVESTMENT OF LIC UPTO 31\textsuperscript{st} MARCH 2002

<table>
<thead>
<tr>
<th>TITLE OF INVESTMENT</th>
<th>UPTO 31\textsuperscript{st} MARCH 2002 (In crores)</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Govt. security</td>
<td>1,09,938</td>
<td>63.41</td>
</tr>
<tr>
<td>State Govt. &amp; other Govt. guaranteed marketable securities</td>
<td>21,463</td>
<td>12.38</td>
</tr>
<tr>
<td>Electricity</td>
<td>13,447</td>
<td>7.75</td>
</tr>
<tr>
<td>Housing</td>
<td>19,054</td>
<td>10.99</td>
</tr>
<tr>
<td>State Road Transport Corporation</td>
<td>893</td>
<td>0.51</td>
</tr>
<tr>
<td>Loan to Industrial Estate</td>
<td>45</td>
<td>0.25</td>
</tr>
<tr>
<td>Loan to sugar co-operative</td>
<td>37</td>
<td>0.02</td>
</tr>
<tr>
<td>Water supply and sewerage</td>
<td>4000</td>
<td>2.30</td>
</tr>
<tr>
<td>Development authority</td>
<td>1</td>
<td>0.00</td>
</tr>
<tr>
<td>Roadways, port, railways</td>
<td>681</td>
<td>0.39</td>
</tr>
<tr>
<td>Power generation</td>
<td>3,797</td>
<td>2.19</td>
</tr>
<tr>
<td>Municipality</td>
<td>4</td>
<td>0.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,73,360</td>
<td>100.00</td>
</tr>
</tbody>
</table>

(Source: LIC Diary 2003)
TOTAL OF INVESTMENT

<table>
<thead>
<tr>
<th>Title</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL OF INVESTMENT</td>
<td>63.41</td>
</tr>
<tr>
<td>Central Govt. Income</td>
<td>12.38</td>
</tr>
<tr>
<td>Education</td>
<td>7.05</td>
</tr>
<tr>
<td>Housing</td>
<td>10.98</td>
</tr>
<tr>
<td>Gas &amp; Water Transport</td>
<td>0.51</td>
</tr>
<tr>
<td>Loans to Industry &amp; Finance</td>
<td>0.25</td>
</tr>
<tr>
<td>Loans to Agriculture</td>
<td>0.02</td>
</tr>
<tr>
<td>Power, Energy &amp; Transport</td>
<td>2.3</td>
</tr>
<tr>
<td>Health</td>
<td>0.38</td>
</tr>
<tr>
<td>Other</td>
<td>2.19</td>
</tr>
</tbody>
</table>

PERCENTAGE

Percentage bars for various categories, with a total of 70%.
The above table shows the investment positions of various head up to 31st March 2002.

Under the corporation's scheme of providing financial assistance for piped water supply and drainage scheme, 2030 urban/local bodies in 23 states and the union territory of Chandigarh have benefited. The corporation helps to boost the industrial growth in the country. It helps small scale and medium scale industries of granting loans for setting up co-operative industrial estates and an amount of Rs.45 crores has so far been advanced to corporate industrial estate and industrial development corporations.

ASSISTANCE OF LIC

The corporation's assistance to state level finance corporations and All India Finance Corporation like IDBI, IFCI, ICICI etc. by the way of subscription to bonds, debentures issued by such institutions also indirectly helps development of small scale and medium scale industries.

GROUP INSURANCE SCHEME OF LIC

LIC offers life insurance protection under group policies to various groups such as employer, employee, professionals, co-operatives, weaker sections of society etc. It also provides insurance coverage to people at subsidized rate
under social security group schemes. The main features of the schemes are
low premium, simple insurability conditions such as employee not being
absent from duty on grounds of ill health on the date of entry, and easy
administration by way of issue of a single master policy covering all the
employees, premiums are based on age, combination of the members
occupations and the working conditions of the group. The standard schemes
offered by LIC are as follows.

1. Group term insurance schemes.
2. Group insurance scheme in lieu of EDLI (Employers Deposit Linked
   Insurance Scheme).
3. Group Gratuity Scheme.
4. Group superannuation Scheme.
5. Group Savings linked insurance scheme.
6. Voluntary Retirement Scheme.
7. Group Leave Encashment Scheme.
8. Social Security Scheme.
   - Fanashreee Bima Yojana
   - Swarnajayanti Gram Swarojgar Yojana.
   - Krishi Shramik Samajik Suraksha Yojana.
   - Krishi Shramik Samajik Suraksha Yojana 2001
LIC MUTUAL FUND

LIC of India set up the LIC mutual fund in June 1989 as a separate trust with a view to providing accessibility of various investment media. The LIC mutual fund mobilized nearly Rs.4,000 crores during the year 2001-02. A mutual fund pools the savings from numerous small investors and invests them in diversified securities in the capital market in order to optimize the return, safety and liquidity for the maximum benefit to investors.

SCHEMES OF LIC MUTUAL FUND

LIC mutual fund till March 2001 launched 32 schemes taking into account the various needs of investors. Out of the 32 schemes, 26 were close-ended schemes. The remaining 6 are open-ended schemes. These schemes can be generally classified as:

1. Income Schemes (3 schemes)
2. Income and Growth scheme (15)
3. Growth Schemes (2)
4. Tax Saving Scheme (7)
5. Insurance linked Unit Scheme (2)
6. Special Scheme for Children (1)
7. Bona Fund (1)
LIFE INSURANCE CORPORATION [INTERNATIONAL] E. C:

The Life Insurance Corporation of India, over the years has emerged from being just a life insurance organization into what can be termed as a multidimensional organization today with forays into Mutual Funds, Housing Finance as well as the international market in the Gulf through its subsidence's viz, LIC mutual fund, LIC Housing Finance as LIC International EC. All these subsidence have emerged as independent and strong entities, ample proof of LIC’s growing managerial capabilities in the financial sector. The LIC International EC Bahrain is promoted by the LIC. Operations commenced in July 1989. This plan offered for children, adults and married couple.

LIC HOUSING FINANCE LIMITED

The LIC Housing Finance Limited incorporated on 19th June 1919. Its main objective is to provide long term finance for construction/purchase of individual house flats. The Corporation has 6 regional offices 97 Operating Offices and over 100 Camp Offices marketing it the housing finance institution with the widest marketing net work in the country. On 15th September 1994, it became a widely held Public Limited Company and the shareholding pattern as on 31st March 2002 in LIC is 38.43 percent, UTI 12.01 percent, IFCI 11.68 percent Public and other 37.88 percent.
LIC HOUSING TO RAISE RS.1200 CRORES THIS YEAR (2001-2002)

LIC Housing Finance has drawn up plans to raise about Rs.1200 crores from the market during the current fiscal. The money would be raised through term loans from banks as non-convertible debentures (NCD) and through the securitization route.

"As per our commercial borrowing plan, we propose to raise about Rs.1200 crores from the market during the current fiscal. We plan to start the borrowings from September-October because then we will need more funds". LIC HFL Director and Chief Executive Kranti Sinha said.

Sinha said the company plans to raise about Rs.250 crores through securitization this year. The company had earlier raised about Rs.80 crores in two trenches through securitization with National Housing Bank (NHB) acting as a special purpose vehicle.

LIC HOUSING PLANS ADR/GDR ISSUE

LIC Housing Finance is explaining possibilities of an ADR or GDR issue after 1-2 years to raise cheaper funds for carrying out its future expansion.

"We may have to consider ADR/GDR issue to raise cheaper funds. We are still discussing it. We will take the approval from the LIC board once it is finalized", official source told.

THE GROWTH OF LIC:

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>31st 1957</th>
<th>31st March 2001-2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>No of policies sold</td>
<td>9.42 lakh</td>
<td>2.3 crores</td>
</tr>
<tr>
<td>Premium Amount</td>
<td>336.67</td>
<td>48,963.60 crores</td>
</tr>
<tr>
<td>Life fund</td>
<td>410.40</td>
<td>2,27,008.98 crores</td>
</tr>
<tr>
<td>Investment</td>
<td>372.00</td>
<td>3,90,253 crores</td>
</tr>
<tr>
<td>Zonal Office</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Branch</td>
<td>240</td>
<td>2048</td>
</tr>
<tr>
<td>Divisions</td>
<td>33</td>
<td>100</td>
</tr>
<tr>
<td>Agents</td>
<td>89000</td>
<td>8 lakh</td>
</tr>
<tr>
<td>Claim intimated amount</td>
<td></td>
<td>14358.55 crores</td>
</tr>
<tr>
<td>Claim settled amount</td>
<td></td>
<td>14,519.25 crores</td>
</tr>
<tr>
<td>Claim outstanding amount</td>
<td></td>
<td>273.35 crores</td>
</tr>
</tbody>
</table>

(source: Yogakshama vol:47 NO:1 JAN 2003.)

ADMINISTRATIVE-SET UP IN LIC

The corporation's central office is located at Mumbai. There are seven zonal offices, one each at Mumbai, Kolkata, New Delhi, Kanpur, Bhopal, Chennai and Hyderabad. The corporation at present is having 100 divisional offices and 2049 branches in India and offices at London and Fiji in territories outside the country.

DIVERSIFICATION OF ACTIVITIES

During 1989, the corporation diversified its activities in many directions. LIC Mutual Fund was set up as a separate trust with a view to providing easy accessibility of investment area including stock market in the country, especially in the semi-rural areas. LIC had launched Housing Finance Ltd on 19th June 1989 as subsidiary with UTI, IFCI, and ICICI with a view to make a great thrust in the housing field by providing long-term
finance to realize the objectives of the National Housing Policy. An off-share company, LIC International was incorporated in Bahrain in July, 1989 to transact life insurance business amongst non-resident Indian Nationals in the middle-east countries.

TRAINING AND DEVELOPMENT

All employees at different cadres in LIC are to be trained at the time of entry. At the initial stage, induction training will be provided. Afterwards refresher training will be given after two or three years. On promotion to higher cadre again induction training will be given to the promoters. There are three training centers viz.

1. Divisional training center at divisional level headed by the Principal with other faculty members.

2. Zonal training center at Zonal office level and

3. Management development center at Bombay with regular staff members.

TECHNOLOGY UPGRADEATION IN LIC

LIC had opted for technology to support centralized servicing mainly with punch and machines confining to premium accounting, commission billing, valuation and moralities investigation operations. The micro process was introduced in the year 1980 in all branches. The system was upgraded in the nineties. Software packages for on-line operation have
been developed. Many other operations were also taken a front-ended like loans, claims and personnel appraisal. LIC has now networked the city branches of Mumbai, Delhi, Bangalore and Chennai. The policyholders can now tender premium at any branch nearer to his residence or office. World Wide Web has also been used by LIC in disseminating the information about the organization including products and services offered. E-mail addresses on the documents and communications in future.

**HRD PRACTICES IN LIC**

Since 1988, as part of the HRD intervention the LIC has also focused on the individual growth of the people in the organization. As part of improvement of the organization LIC had the decentralization of functions to branches, timely servicing had been taken to the door step of the policyholders. The major expectations after these interventions are

- Deriving a feeling of autonomy
- A sense of self-direction
- Feeling achievement
- Widening one’s own perceptions
- Collaborative way of functioning
- Image building.

During 1994-95 the corporate office identified HRD interventions as one of the thrust areas. The focus of HRD programme is on improving
external customer satisfaction by encouraging individual activities and also by enhancing internal customer satisfaction and strengthening team work function in branches.

PERSONNEL POLICY IN LIC

The goals of the personnel policy in the changing set-up are

1. To ensure that sufficient number of persons with sound insurance background and experience, both as generalists and specialists are available at different operative supervisor and management levels.

2. To evolve the personnel system so as employees get equitable opportunity to move up in the organization on the basis of their performance and ability.

3. To ensure that responsibility for results is provided right from the lower level so that employees can develop a sense of indigenous and self confidence and

4. To provide appropriate training and experience for those employees who show special aptitude for different skills.

LIC TO REVIEW FULL PRODUCT PORTFOLIO:

The life insurance corporation of India will review its entire product portfolio; especially all guaranteed return products, in order to revise them. “We will do away with the new Bima Nivesh and the new Jeevan Shree in
their existing form on 16 September. We will launch up of raided versions of these products according to the needs of the market and situation."¹

On pension products, particularly for those who are below poverty line, Mathur said LIC was in talks with State Governments. The corporation also planning to relaunch the children money bank policy, Jeevan Sneha and few more policies for women.

LIC is also gearing up to improve its growth rate from the existing 20% to 25% by 2005 by focusing on the rural areas and technology upgradation. "We have witnessed a growth of 20% during the last several years and I see LIC raising this to 25% by 2002.

LIC PLANS TO RAISE INVESTMENT RETURNS:

Life Insurance Corporation of India (LIC) has drawn up a three pronged investment strategic as it finds it increasingly difficult to offer high returns to its policy holders. The prongs are aggressive Harding in short term papers investing and AA-rated corporate papers by shifting focus from only AAA papers, and increasing exposure to the equity markets.

At present, it is investing Rs.400-500 crores a month in stocks. In the current fiscal so far LIC has invested over Rs.1800 crores. Its equity investment accounts for 10% of total investments.

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"We have the ability to hold on even as valuation go down and sell when we want to book profit"-the corporation's former acting Chairman and Managing Director A. Ramamurthy.  

LIC UNVEILS ITS FIRST PURE TERM PRODUCT.

LIC has launched its cheapest product till date. Anmol Jeevan a pure term insurance cover. This is the first pure insurance product offered by LIC where the insured stands to get nothing if he survives the whole term of the policy. LIC's term insurance rates are the cheapest in the industry for those who are up to 30 years of age. However, the cost of cover for older entries is higher than the rates offered by ICICI pure life-which offers one of the cheapest term covers. For instance, 30 years old can purchase a Rs.10 lakhs cover for 20 years for a premium as low as Rs.2900 annually. But this annual premium rises to Rs.4450 for 35 years old and Rs.6850 for 40 years old. The policy is available for only 15 years and 20 years term.

HUNT FOR AGENTS TAKES LIC TO SOLDIERS

The Life Insurance Corporation is looking at financial market intermediaries, retired bankers and out of service military men as potential agents it could enlist to retain its dominance in business. More than lakh agents will be mobilized in the months ahead, and the hunt is on to tap talent from diverse areas. Intermediaries in the financial markets are also

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sought after. These are people who are finding the going tough because of poor conditions in the market, and could be more than willing to sell insurance schemes. LIC, which also hopes to get real estate brokers on board, has 7.97 lakhs agents. It plans to hire another one lakh, taking the number to a million by March 2003.

“We are focusing on enlisting agents from the four categories as they are productive right from the word go, and their gestation period is low. Sub-brokers and real estates agents have their own clientele. They have good knowledge of financial markets and they know the right people”.⁶

S.B. Mathur.

Mathur believe these professionals can leverage their relationship which clients to sell insurance since it gives them a source of supplementary income at a time when their primary vocation is in the throes of a slump.

HIGHER PREMIUM INCOME FOR LIC (SOUTH):

Life Insurance Corporation – southern zone has achieved a record total premium income of Rs.1,526 crores, in the first four months of the current financial year, as against Rs.1, 280 crores in the same period last year. The zone (comprising Tamil Nadu, Kerala and Pondicherry) is still taking stock of the premium collected in August, but the zonal manager, Mr.

K. Vaidyalingam is confident that the total premium income earned up to August 31 would be more than Rs.2000 crore.

The first premium income in the first five months was Rs.203 crores, Mr. Vaidyalingam said at a press conference here. In the five months to August, the south zone sold 8.09 lakh new policies, assuring Rs.5, 024 crores, against the annual target of 34.19 lakh policies and sum assured of Rs.29, 215 crores, and a first premium income of Rs.1, 291 crores. In the four months to July, the zone generated a surplus of Rs.710 crores as against Rs.629 crores in the same period last year.

LIC'S NEW POLICY INCOME DIPS 65%:

State owned LIC of India has posted a massive 65% slump in sales with the first premium income during April-June 2002 estimated at around Rs.950 crores as against Rs.2900 crores during the first quarter of Rs.2001-02. LIC confirmed that the company which controls nearly 99% of the Indian Market had registered a huge decrease in sales but refused to provide a break up of sales of annuities, endowment policies and single premium policies like Bima Nivash.

They however said the number of policies sold by LIC had actually grown by around 10% in the first quarter of the year. The first quarter of the financial year marks the first instance of LIC's Premium income decreasing, since private players started 18 months ago.
DIFFERENCE OVER SERVICE TAX ON LIFE POLICIES

The Insurance Regulatory Development Authority (IRDA) has locked horns with the Revenue Department on the method of computation of the risk premium component of life insurance policies on which the government proposes to levy a 5% service tax. The disagreement between the two has led to the delay in the implementation of the new impost.

While the Revenue Department feels that the risk premium should be computed out a flat rate of 10% of the aggregate premium of a life insurance policy and imposes the addition 5% levy on the computed amount, the IRDA has said that the computation should be done on the basis of proper actuarial calculation.

LIFE INSURERS TO CRACK DOWN ON FRAUDULENT CLAIMS

The Indian life insurance industry had decided to crack the whip on fraudulent claimants. The idea is to share information and data among the insurance players to bring down the number of fraudulent claims and declined lives that negatively impact the performance of companies.

With the privatization of the life insurance industry, the new players are keen to track down the source of losses early, especially when there are instances of some cities in northern India having more lives covered than the actual number of residents of the city.
POLICYHOLDER’S INTEREST.

Policyholders, both life and non life would really leave a sigh of great satisfaction on experiencing a radical change in the day to day working of the insurance companies, once the Ida’s Regulations 2002 notified in June last came into full swing. The regulations are formulated under the following heads.

1. Short title and commencement.
2. Deviations
3. Point of sale
4. Proposal for insurance
5. Grievance redressal procedure
6. Matter to be stated in life insurance policy
7. Claims procedure in respect of a life insurance policy
8. Policy holder servicing.

TIPS TO POLICY HOLDERS.

- Intimate us to any change in your address so that we can always get in touch with you.
- Check the nomination status under the policy and intimate changes, if any, for speedy settlement of claims.
- Pay premiums in time.
• Revive the policy, in case it is lapsed, so that the valuable insurance cover is not last.

• Review periodically the insurance needs of self and family, so that adequate insurance protection is ensured.

• Intimate us your E-mail address, telephone and Fax numbers for faster communication.

CUSTOMERS’ SATISFACTION

First and foremost to make new customer but also the retention of existing customer is most important. It is quite impossible for organization that engineering of new products can lead success but there must be rush of buyers and demand of goods services should be there. The “customer” has very wide range of definition.

As per Lee Lacocca “the only job security anybody has in company comes from equality, productivity and satisfied customer” customer receives risk security. Pooling of risk shaped two vital business solutions in the fields of risk. First everyone received protection and secondary, the few who sustained losses, obtained indemnity. Therefore customer retention is more critical than customer attraction. The key to customer retention is customer satisfaction and delightment. The needs of customers are as following:

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1. Stated need = customers wants an insurance plan.

2. Real need = Customer wants risk and saving build plan.

3. Unstated need = Customer wants security of investment and Qualitative services.

4. Delighted need = Customer buys an insurance plan and as well as thanks letter-having information about important of Insurance.

5. Secret need = Customer wants to be seen by friends as a value oriented survey customer of LIC.

Delightment of customer is by product of customer satisfaction.

Customer satisfaction is the level of a person's felt state resulting from comparing a product's from perceived performance in relation to the person's expectation. Thus a satisfaction level is a function of the difference between perceived performance and expectation.

LEVEL OF SATISFACTION.

Three broad levels of satisfactions.

1. If performance falls short the expectation the customer is dissatisfied.

2. If the performance matches the expectation the customer is satisfied.

3. If the performance exceeds the expectation the customer is highly satisfied i.e. delighted customer.
The level of satisfaction can be easily understood by the given below graph.

The graph illustrates the relationship between performance (P), expectation (E), and customer satisfaction levels.

- **P**: Performance
- **E**: Expectation
- **OA**: Satisfied customer
- **OA**: Delighted customer
- **OA**: Unsatisfied customer

The graph shows the following:

1. **Performance (P)** is represented along the vertical axis.
2. **Expectation (E)** is represented along the horizontal axis.
3. The point O represents the origin, where performance equals expectation.
4. The line OA represents satisfied customers, where performance meets or exceeds expectation.
5. The line OA** represents delighted customers, where performance significantly exceeds expectation.
6. The line OA*** represents unsatisfied customers, where performance falls short of expectation.

The graph visually demonstrates how different levels of performance and expectation correlate with customer satisfaction.
Today we need to pay closer attention to our customer detection rate and undertakes step to reduce the cost of lost customer.

IN A PERSPECTIVE OF LIC

Consumer can be satisfied and delighted by our services. We sell as in marketing term is intangible things “Faith”. Our main motto after post sale service i.e. also intangible. There is bounded relationship between our product customs and services. Service is intangible unlike physical products they cannot be seen, tasted and felt. To reduce uncertainty customer will look for evidence of service quality. So if we want to covert a customer into delighted customer we should have to first “manage the evidence” to “tangible the intangible”.
<table>
<thead>
<tr>
<th>PRODUCT VALUE</th>
<th>SERVICE VALUE</th>
<th>TOTAL CUSTOMERS VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERSONAL VALUE</td>
<td>IMAGE VALUE</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MONETARY PRICE</th>
<th>TIME COST</th>
<th>TOTAL CUSTOMERS VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENERGY COST</td>
<td>PHYSIC COST</td>
<td></td>
</tr>
</tbody>
</table>

Source: ?
Our insurance company should have "first" Insurance Company. It could tangibles this positioning strategy through following tools.

1. Place: An insurance office's physical setting must connote quick service.

2. People: The office personnel should be busy.

3. Equipment: Equipment, computers, copying machines, chairs etc. should be look "State of Art "

4. Communication material: LIC's communication material text and photo should suggest efficiency and speed.

5. Symbols: LIC should choose a name and symbols suggesting delighted fast services.

6. Price: LIC should advertise that it will deposit Rs.100 in the account of any consumer who waits in line more than ten minutes.

Consider a customer visiting in LIC to get a loan. The customer sees other customers waiting for this and other service. The customer also sees physical environments consisting of a building, interior and furniture.

LIC should maintain a balance between 'high-tech' and 'high touch' services. High tech includes capabilities of LIC product related
services ex. Knowledge, skill, technology, infrastructure financial strength etc. High touch includes human support emotional and facilitative values

CONCLUSION

The Life Insurance Corporation of India has been established by act of Parliament 1st September 1956. The corporation was major financial instrument in India. The account of LIC shall be audited by qualified auditors in every year. LIC has over the years been investing a major part of its funds primarily in the socially oriented sector. Total investment of LIC upto 31st March 2002 Rs.1,73,360 crores. In every year LIC introduced various themes. The first premium income in the first five months was Rs.203 crores. The LIC mutual fund mobilized nearly 4000 crores during the year 2001-2002. LIC has now networked the city branches of Mumbai, Delhi, Bangalore and Chennai. LIC Southern Zone as achieved a record total premium income of Rs.1526 crores. Customer receives risk security. So the LIC provided protection to the customer. The key to customer retention is customers' satisfaction and delightment. Today we need to pay closer attention to over customer deduction rate and undertakes step to reduce the cost of lost customer. Therefore the customer can be satisfied and delighted by our services. LIC ranks Number one
amongst, India's top 500 companies on the basis of net worth (Rs.15,47,951 million) in 2001. LIC issued 2.32 crore policies in 2001-02. It ranks Number two amongst India's top 500 companies on the basis of Income (Rs.4,47,296 million) in 2001. LIC settled 87.52 lakhs claim (maturity + S.B+ Death) in 2001-02. LIC rank one amongst, India's top 500 companies on the basis of net profit (Rs.2,66,277 million) in 2001. LIC has more than 52 plans to choose from to suit every individual at every age.