Chapter X

Summary, Conclusions and Suggestions

There is no mistaking the fact that onset of liberalization (globalization) of economy set rolling a process of relook at the entire spectrum of marketing of services. Given a free field to operate, the industry (both products and service oriented) in order to gear up to the new challenge, had to upgrade the quality of the product and rewrite the whole concept of service to the satisfaction of the customers. The new approach signaled a paradigmatic shift from the conventional and pedestrian to a proactive, dynamic and delighting method of marketing.

Different studies on marketing unarguably concur with the view that fostering a vibrant and promising image of the industry (both product and service) is an imperative for its success. Services constitute a very significant portion of the business market and not the kind of benevolence of the bygone times. In fact, services marketing have of late emerged as a distinctively significant factor in the field of marketing. Its development has been likened to human evolution and has been generally attributed to the mature development of an economy and the rising standard of living of the people.

The service industry has been accepted as a marketing concept and the quality of service acknowledged as the strategic instrument. Service sector hitherto limited in nature and scope, has changed into an aggressive mode appropriating the front stage touching almost every sphere of human activity, viz., banking, insurance, information technology, welfare etc. and accounts for approximately two-thirds of worldwide GNP (Gross National Product) right from the beginning of the twenty first century (Kara et al., 2005).

Within the huge service sector, insurance sector is one of the most important service segments and has been growing quite fast in India. Futuristic in tenor, the insurance industry commits to fulfill contractual obligations towards the customer, which are primarily financial in nature. It provides financial recompense for losses suffered due to
incidence of unanticipated events, insured within the policy of insurance. There are two sections of insurance viz., Life and General operating in India. Life Insurance Corporation (LIC), formed under Life Insurance Act 1956, deals with life insurance. At present there are twenty three players in the Indian life insurance industry out of which LIC, the leading public company, has largest number of policies in the world to suit every financial requirement of an individual. In addition to risk coverage, it provides some additional return on its policies and tax benefits to the policyholders. However, it, a sole player till recently, is now facing a stiff competition from private players in the field. Its strong brand backed by long experience and well established network has helped it to maintain the lead.

**10.1 Relevance of the Study**

Predictably, service sector, having become seminal to entrepreneurial activities, would continue to occupy the centre stage as a cult in both business and academic deliberations. However, the dynamics of the cult of service quality are destined to be in a flux. Emerging as a relatively important industry, studies are being conducted on marketing of LIC services in the post liberalized scenario. Much needs to be worked out how the life insurance business may influence the economy. This study proposes to be a step in that direction.

The success of an organization depends on the concerted efforts by its different departments to achieve accredited status. As a result, the study of the profile of LIC makes an interesting narrative to have an insight into its rejuvenation. The liberalization of Indian economy ushered in an era of competitive marketing leading to the radical changes in the entire gamut of products and services. With the opening up of the Indian insurance sector, many global players have entered the potential arena to establish themselves in the market who has virtually challenged the monopoly of LIC. The study of different marketing strategies adopted by LIC for providing efficient and effective services to its customers and to achieve a deeper penetration into the market has become all the more essential. The agents – the point men, and the customers play a crucial role in the Indian insurance industry. Both of them call for a thorough study to help LIC to endorse new productive measures for surging ahead in the market share.
10.2 Objectives of the Study

In view of above, the following are the specific objectives of the present study:

- to present a comprehensive profile of LIC.
- to examine the impetus of emerging competitive scenario in life insurance sector in India.
- to study the existing marketing strategies adopted by LIC for marketing its services.
- to test the reliability and the dimensionality of SERVQUAL instrument.
- to measure customers’ perceived service quality, using an extended framework of SERVQUAL instrument.
- to assess the factors influencing agents’ perception towards LIC.
- to suggest suitable measures for effective functioning and for increasing sales of LIC.

10.3 Data Base and Methodology

The database of the present study comprises of both primary and secondary sources. To study the profile of LIC, emerging competitive scenario of life insurance sector in India, and the existing marketing strategies of LIC, data has been collected from different published sources viz., LIC annual reports, IRDA annual reports, IRDA handbook, socio-economic profile and statistical year books of various years of LIC divisions in Punjab, journals, magazines, books, diaries of LIC (Mumbai) as well as insurers’ websites. For the emerging competitive scenario, a period of nine years i.e. from 2001-02 to 2009-10 has been taken for data collection. For marketing strategies, data has been collected for a period of fourteen years i.e. from 1995-96 to 2008-09. This period indicates the pre and post liberalization period of life insurance sector. However, at certain places the period is less than ten years because of non-availability of data.

Universe of the study comprised of customers and agents of LIC from the major cities of Punjab, namely Amritsar, Jalandhar and Ludhiana. These cities were chosen for their importance on the map of Punjab. In this state, there are a large number of LIC customers and agents. In view of the large numbers involved, it was almost impossible to cover all the customers and agents of LIC for the purpose of survey. Hence,
Judgment-based-Convenience sampling method was adopted to make an opinion study of the customers and agents of LIC.

For the purpose of collecting primary data from LIC customers and agents, two separate well structured questionnaires were designed and administrated on the respondents. Both the questionnaires were drafted on the basis of relevant literature. A sample of 450 customers and 350 agents from the three cities namely, Amritsar, Jalandhar and Ludhiana was taken. Out of 450 customers, effective sample size was 337, thereby yielding a response rate of 75 percent. Respondents were approached personally at their work place and sometimes at their residence. Out of 350 sample of agents, 225 questionnaires (approximately 64 per cent of the response rate) were completed in all respects and found valid responses for analysis purpose. The survey of agents was conducted during May 2008 to September 2009 whereas survey of customers was conducted during June 2009 to December 2010.

Commensurate with the objectives of the study, data so collected was tabulated and analysed by using appropriate statistical tools and techniques. All quantitative data was entered in a Statistical Package for Social Software (SPSS) 11.5 and analysed using – Item and reliability analysis, Factor analyses, Descriptive statistics (frequencies and percentages etc.), Weighted average scores, Correlation analysis, Multiple regression analysis, ANOVA-one way analysis, Growth rate, and Compound growth rate.

Pearson correlation was used at various stages of scale development. A reliable and valid scale was generated using various item deletion and reliability techniques. Cronbach alpha was used to measure the reliability of the scale at various stages of reliability analysis. Corrected item-to-total correlation was employed to refine the scale. Correlation matrix, Anti-image correlation matrix, Kaiser-Meyer-Oklin (KMO) Measure of Sampling Adequacy (MSA) and Bartlett’s test of Sphericity test was employed to judge the adequacy of the data for factor analysis. In the present study, factor analysis has been used for identifying the factors influencing agents’ perception towards LIC, making an assessment of SERVQUAL instrument, and measuring customers’ perceived service quality. Only one set of questionnaire has been used for
making an assessment of SERVQUAL instrument and to measure customers’ perceived service quality. The analysis of survey instrument was carried out into two stages. In the first stage, analysis was done for the 16 statements (modified version of the Parasuraman et al., 1985, 1988) with the help of reliability and factor analysis. In the second stage, the total 52 statements were (modified version of the Sureshchandar et al., 2001 instrument) analysed to extract the relevant factors important for the LIC. To assess the overall effect of the instrument on service quality and to determine the relative importance of the individual dimension of the generated scale, multiple regression analysis was performed on the scale. Colinearity diagnostics using the VIF index was computed to check the variable for multi-colinearity during regression. Weighted average scores (WAS) have been calculated at various stages to find out the importance attached by respondents to given variables rated at seven-point Likert scale. ANOVA – one way classification has been performed to test whether any significant difference existed among the various demographic groups of respondents across perception scales in respect of agents and customers. Besides, secondary data was analysed by computing the growth rate and compound growth rate of different years.

10.4 Major Findings of the Study

The following are the major findings of the study:

10.4.1 Comprehensive Profile of the Life Insurance Corporation

The modern concept of insurance practices came into being in India with the founding of Oriental Life Insurance Company, a British company, in 1818, in Calcutta with the sole purpose to cater to the needs of the European community in general, especially the Britishers. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But the Indian lives were discriminated and heavy extra premiums were charged from them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Likewise, Bharat Insurance Company (1896), The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore (1906), Hindustan Co-operative
Insurance Company (1907), The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) (1909) were also established.

The demand for nationalization of life insurance industry gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was, on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident fund societies were operating in India at the time of nationalization. It was not easy to assimilate the strength of 245 diverse insurance companies. Their style of functioning was different, their weaknesses were innumerable, and human resource practices varied widely.

It was primarily with the view to spread insurance to rural areas and to achieve the objectives of socialistic pattern of society, the Government of India decided to nationalize the life insurance business. After a considerable debate both for and against nationalization, the President of India issued an ordinance in January 1956, taking over management and control of the business of life assurance in India including foreign business of Indian insurers. The Life Insurance Corporation (LIC) of India came into being on 1st September 1956 by an act of Parliament (Life Insurance Act 1956) with a capital contribution of Rs. 50 million from the Government of India, with the objective of spreading life insurance widely and in particular in the rural areas.

The insurance company, as such, has a four-tier organization which comprises of a branch at the consumer contact level, division to supervise a given number of branches, a zone to cater to specified function of supervision and control over a vast region and a central office that controls the whole organization and handles policy making functions. Since nationalization, LIC has built up a vast network of 8 zonal offices, 109 divisional offices, 2,048 branch offices (fully computerized) and 1004 satellite offices spread all over the country. Its satellite offices, which are attached to the respective parent branches, are basically an extension of the large parent branches for rendering quick services to policyholders.
The central office of the Corporation is situated in Mumbai, the financial capital of India. It is the highest controlling point of the Corporation (LIC, 53rd Annual Report 2009-10). The Chairman, who is the chief executive officer of the Corporation, is assisted by managing directors, who are whole time officers of the Corporation. The managing directors in turn, are in the overall control of certain specified departments, which are headed by officers of the rank of executive directors or chiefs. The central office functions under the care of the board of directors and the different committees of the Corporation. The Corporation has eight zonal offices located at Mumbai, Kolkata, Delhi, Kanpur, Hyderabad, Chennai, Madras, and Bhopal. The zonal manager is the head of the zonal office and is assisted by regional managers and secretaries who are put in charge of individual portfolios. He manages and controls the functioning of the zonal office and executes the orders and directions received from the control office. Typically, a zone caters to the supervision, support and control of offices over a couple of states’ jurisdiction and handles around 10 to 15 divisions. Divisional office is an important functional area point of LIC. It provides various types of services to policyholders, agents, development officers, employees and even to the branch offices. Divisional offices monitor and control the operations within the divisions. It has a specified number of branches under its control, each of the branch is functioning effectively and successfully in its own limited area of operation. The divisional manager is responsible for all the functions of divisional office. The branch office of the LIC is the main operating office where the sale of life insurance policies is done and services are given to the customers. In these offices, branch manager is the head of the branch and is responsible for effective functioning of the branch office. Nearly two thirds of the total income of the LIC is earned through branch offices and about 75 percent of the managerial expenses are spent by these offices. A major part of the employees and officers are working in the branch offices. The problems of policyholders are mostly solved by the branch offices.

For the purpose of discharging different functions effectively, departments (namely, investment, finance & accounts, actuarial, internal audit & inspection, legal & housing property, pension & superannuation, human resource, vigilance, public relations &
publicity, marketing, engineering, planning, and estate & office service, health insurance, micro-insurance portfolio, underwriting and reinsurance) have been set up at central, zonal, divisional level. For the purpose of discharging different functions at branch level, there are six departments namely, claims, finance and accounts, new business, sales, office management, policy servicing departments.

There are three main divisions viz., Amritsar, Jalandhar and Ludhiana, in Punjab which include thirteen districts. Amritsar divisional office was carved out of Jalandhar divisional office on 24th April 1991. This date is regarded as a glorious day in the history of Amritsar division. The divisional office covers three border districts of Punjab viz., Amritsar, Gurdaspur and Ferozpur. There are 17 branch offices in the Amritsar division, out of which eight branch offices are in Amritsar district, five in Gurdaspur district and four in Ferozpur district. The Jalandhar divisional office consists of seven districts of Punjab viz., Jalandhar, Kapurthala, Hoshiarpur, Nawanshahr, Moga, Faridkot, and Muktsar. There are 19 branch offices in the Jalandhar division, out of which nine branch offices are in Jalandhar district, two in Kapurthala, three in Hoshiarpur, one each in Nawanshahr, Moga and Faridkot, and Muktsar district covers two branch offices. The Ludhiana divisional office covers three districts of Punjab viz., Ludhiana, Bathinda and Mansa. There are 13 branch offices in the Ludhiana division, out of which ten branches are established in Ludhiana, two in Bathinda and one in Mansa districts.

The Corporation has customers’ Grievance Redressal Machinery at the branch/divisional/ zonal/central offices, headed by senior officers who can be approached by policyholders for prompt redressal of their grievances. Claims Review Committee settles a large number of death and maturity claims every year. Policyholders’ Councils are constituted in each division to discuss all the matters related to the servicing of the policyholders like claim settlement, outstanding claims, progress of new business, and publicity activities etc. Meetings of the Central Management Committee are held every month to review the Corporation's business, formulation and execution of strategies and various other issues of concern. The grievance redressal machinery has been further expanded with the appointment of
Insurance Ombudsman at different centres by the government of India. The office of insurance ombudsman was created in 1998 for arbitration between customers and insurance companies. At present there are 12 centers operating all over the country providing low cost and speedy arbitration to customers. Recently, IRDA provided an alternative channel for prospects and policyholders to lodge complaints with the Grievance Redressal Cell by launching the IRDA Grievance Call Centre (IGCC). The IGCC receives and registers complaints through a Toll Free number. Complainants can also track the status of their complaints through IGCC. The Authority is also in the process of implementing the Integrated Grievance Management System (IGMS) through automation of the Grievance Cell for on-line registration of complaints.

LIC, the dominant player in the life insurance industry, has performed remarkably well and has made significant contribution towards the progress and economic development of the country. Its performance has been widely recognized and has received accolades from diverse corners – the first being recognized as the ‘Most Trusted Service Brand in India’ by the Economic Times & AC Nielsen ORG MARG for two consecutive years and also for being a ‘Super Brand of India’.

10.4.2 Emerging Scenario of Life Insurance Sector
In a period of half a century more or less, the insurance sector in the country has undergone circuitous movement, from an open competitive market to full nationalization, and then back again to a liberalized market. With the entry of so many players in the field and the consequent competitive activism, the entire gamut of the service sector has been witnessing a purposefully multi-dimensional, consumer-friendly approach, shedding off the lethargy that had come to be associated with the sector. Life Insurance Corporation (LIC) of India is experiencing an equally profound impact of competition resulting in a qualitative change both in its contents (products) and services. At the moment, the insurance sector in India has completed ten years in the liberalized environment.

Liberalization of insurance sector has opened up tremendous business opportunities to Indian and to foreign operators, to win the confidence of the people, by providing them
better services, and offering innovative products. A license to start up insurance business was issued to the first private life insurance company as a sequel to liberalization in the year 2000. Most of the new companies in the industry have entered the market as joint ventures with the foreign partner holding 26 per cent of the total paid-up equity capital. A proposal to increase this limit to 49 per cent is pending with the government. With the registration of IndiaFirst Life Insurance Company in 2010-11, the total number of private players went up to twenty two and there could be more to follow in the near future. For instance, Canada-based multinational insurance group, Manulife, is looking to partner with an Indian corporate house in a life insurance joint venture.

The traditional market place has given way to the dynamic new age professionalism and the LIC and the private players’ product basket has in it a variety of products catering to the needs of the different stages of life, appropriate to the risk appetite besides many other temptations like, guaranteed additions, money-back at shorter intervals, competitive returns, accident/illness riders etc. By introducing new products like micro-insurance (for weaker sections of the economy), unit linked plans (ULIP), health plans, pension plans etc., LIC and private players are pushing up the insurance market. The launching of ULIP is the biggest innovation in the life insurance industry for the benefit of customers who want high returns though it may involve an amount of risk. Future Generali Life launched ‘nivesh plan’, a single premium ULIP with the death benefit of fund value plus sum assured. At maturity, policyholder may opt to receive the entire fund value or a settlement option, under which the fund value will be payable in annual installments up to five years from the date of maturity. Reliance Life has introduced ‘super golden years’, term 10 years, a senior citizen plan, a ULIP with a single or regular premium payment option. HDFC standard life has launched ‘endowment champion suvidha’, a ULIP plan. At maturity, along with the fund value, the policyholder will also receive bumper additions’ depending on the policy term, in lumpsum or in periodic installments over a period of up to five years, as chosen. Sahara Life has ULIP ‘group savings plus insurance’, ‘group term insurance’ and ‘group social security schemes’. Aegon Religare Life has launched growth plan with zero premium
allocation charges and an option of four funds. This product also offers an invest-
protect-option under which the policyholders’ funds are automatically shifted from
equity to debt in the last policy years. LIC entered the niche marketing of the unit linked
product line when ‘bima plus’ was launched on 12th February, 2001. Its ‘jeevan saral’
and ‘bima gold’ (ULIP) have done precisely that for which these products have won the
golden peacock award from the institute of directors for product innovation. Till date,
only 11 (namely, Max Life, BSLI, Tata AIG Life, SBI Life, MetLife, Aviva, IDBI Life,
Bharti AXA Life, Aegon Life) out of 22 private players have been taking initiative to
provide health insurance and others are in the process of doing the same. LIC started a
new health insurance division in 2007-08, to tap the vast potential for health insurance
business and to devise health products viz., ‘health plus’, ‘health protection plus’ and
services (hospitalization, domiciliary treatment, surgery etc.).

Besides, Met Life, Aegon Religare Life and DLF Life are providing individual rather
than group solution to the customers. IDBI Fortis Life is giving individual solution as
well as group solution in the form of micro-insurance to its customers. Max New York
Life and Bajaj Life are also providing some of its group insurance plans in the form of
ULIP and micro-insurance. There are only two companies (namely, LIC and BSLI) in
the industry which are giving insurance solution to NRI (non-residence of India). LIC
and Bajaj Allianz Life realized the need and designed special plan exclusively for
women. BSLI is the first private life insurance player to introduce a pure term plan in
the Indian market. India First Life has launched two group plans, viz., group term and
group credit life. The former is a yearly renewable, pure term plan which offers life
cover of a minimum of Rs. 5000 per member. The latter is offered against the loan to
the borrowers of any common lender, providing an option of a level or a reducing term
insurance cover. Reliance Life has also introduced traditional investment insurance
plan, regular premium non-participating saving plan. At maturity, the policyholder
receives the accumulated value of premium paid. BSLI recently launched ‘bachat
(endowment) plan’, a traditional non-participating endowment plan with an option to
pay premium through any mode. At maturity, policyholders receive all monthly base
premiums paid, earned bachat additions and loyalty addition. DLF Pramerica has
launched ‘dhan suraksha’ a saving-cum-protection plan providing guaranteed benefits and guaranteed additions. It offers money back equal to 15 percent of the sum assured at the end of every five years.

Distribution plays an important role for a company not only in hawking their products but also providing exemplary customer service. Typically, alternate channel in the insurance industry comprises of different verticals which are institutions such as corporate agents, brokers, cooperative banks and other business associates. Most of these institutions have a common ground in terms of dealing with financial products, but their customer segments and profiles may vary. Sales personnel by providing enough information to the customers, enable them in forming their assessment about the products or services, which ultimately becomes customer value. Agents are brand ambassadors of the insurer. Agency channel with immense potential is the flagship channel of the company contributing substantially to the profit of the company. As on 31st March 2010, in India, the total number of agents registered with LIC stood at 14.03 lakh (13.45 lakh in 2008-09). The corresponding number for private sector insurers is 15.75 lakh (15.93 lakh in 2008-09). While, private life insurers reported a decrease of 1.13 percent, LIC showed an increase of 4.31 percent in number of individual agents. The attrition was higher in case of private sector insurers as against LIC. In Punjab, total number of agents of private players decreased by 13 percent during 2009-10 (68988 during 2009-10 as against 79209 during 2008-09), whereas, LIC had 35601 agents during 2009-10 as against 33184 agents during 2008-09, this shows an increase of 7.28 percent. Bancassurance as a channel for distributing insurance products through banks has picked up in India in a big way. Except DLF Pramerica Life, Future Generali Life, Shriram Life, Reliance Life, all other players have entered into a tie-up with the banks. Future Generali pioneered the concept of distributing insurance products through its MallAssurance™ channel wherein it uses 192 malls of the Future Group to woo customers besides other conventional sales channels. Telcassurance is Bharti AXA Life’s innovation in life insurance distribution. This channel aims to reach out to cover 71 million customers of Bharti Airtel. BSLI Life and Reliance Life are the first
companies which have started to provide life insurance product online to the customers. Others players are now following them to provide online solution to their customers.

Despite the innovative modes of distribution channels, it would be a challenging job for Future Generli Life and Bharti AXA Life to convince a customer to buy an insurance policy at a retail outlet. Direct marketing, no doubt, seems like an attractive option for the new insurers, but many people who belong to the old school of thought are firmly of the view that this is no way to sell life insurance. The experience in the Western World may be different but cannot be replicated in India.

ING Life has developed an exclusive tool - the LifeMaker™, a simple tool which helps customers to choose a plan most suitable to them, based on their needs, requirements and current life stage. It has also launched an online tool called “pick ur advisor” which allows prospective customers to choose a financial advisor. Aviva Life and India Post have announced a nation-wide strategic partnership for National Premium Payment Service. Customer Care Unit acts as the face of the insurance company by serving as the interface for all customer queries and complaints. The CCU is setup at Bajaj Allianz to streamline servicing customers. First time entrant in the industry, AEGON Religare Life offers policy servicing on the phone via Interactive Voice Response System (IVRS) by issuing the customer a T-Pin for authentication. ICICI Prudential Life launched its E-Portfolio statement, a first of its kind service in the life insurance industry, which will provide consumers with a customised e-statement with their complete investment details on a monthly basis. IndiaFirst Life has announced the launch of LifeStore – a ‘do-it-yourself’ website which aims to help customers transact their insurance requirements on the basis of authentic information, online advice, services and realistic expectations. Max New York Life announced the launch of a convenient and secure payment solution for its policyholders using their mobile phones.

Financial year 2009-10 was the year for consolidating business for most players with many of the leading private players rationalizing their branch and agency expansion to focus on increasing distribution and operational efficiency. In respect of number of branches, LIC has 3250 branches in India out of which 100 are operated in Punjab. Private players have 8768 branches in India out of which 630 are established in Punjab.
Among private players, ICICI Prudential Life has a large number of branches - 1921 in India, out of which 159 have been opened up in Punjab. Among the private players, Bajaj Allianz Life has covered the maximum number of lives 7403149 out of which 168897 pertained to Punjab during 2009-10. LIC has 270 million customer base out of which 202307 are from Punjab.

In India, the Compound Growth Rate (CGR) in respect of premium underwritten by LIC and private players for the entire period (2001-02 to 2009-10) covered under the present study is 19.40 and 100.45 percent respectively, which is observed to be highly significant at 1 percent level. Market share of LIC has been progressively showing a declining trend (99.46 per cent in 2001-02 and 70.10 per cent in 2009-10) due to stiff competition and aggressive marketing by private life insurers. However, the new insurers have been able to capture the market and to improve their market share from 0.54 per cent in 2001-02 to 29.90 per cent in 2009-10 exhibiting a marked significant growth. In Punjab, the CGR of premium underwritten by LIC and private players for the entire period covered (2006-07 to 2009-10) under the study is -7.10 and 9.14 percent respectively, which is observed to be totally non-significant. Market share of LIC shows a declining trend (from 62.56 per cent in 2006-07 to 50.15 per cent in 2009-10). The new insurers have been able to capture the market and to improve their market share from 37.44 per cent in 2006-07 to 49.85 per cent in 2009-10 exhibiting a favourable growth.

In India, the CGR as regards the policies underwritten by LIC and private players for the entire period (2002-03 to 2009-10) covered under the present study is 7.65 and 55.60 percent respectively, which is observed to be highly significant at 1 percent level. In 2009-10, the market share of the LIC and private insurers in terms of policies underwritten was 73.93 per cent and 26.98 per cent respectively as against 96.75 per cent and 3.25 per cent in 2002-03. In Punjab, the CGR as regards the policies underwritten by LIC and private players for the entire period covered (2006-07 to 2009-10) under the study was 19.40 (observed to be significant at 5 percent level) and 3.99 percent (observed to be non-significant) respectively. It is noted that in 2009-10, the market share of the LIC and private insurers in terms of policies underwritten was 71.24
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per cent and 28.76 per cent respectively as against 62.72 per cent and 37.28 per cent in 2006-07. LIC showed an increase while private players showed a slight decrease in market share in respect of new business policies issued. Undoubtedly, India has the highest number of life insurance policies in force in the world. There is yet scope for further expansion.

IRDA is keeping a close watch in protecting policyholders’ interests and ensuring financial soundness and healthy growth in the life insurance market. With better prospects offered in technology sector, the ability of the insurance industry to retain the customer base lies in rendering the timely and effective policy service. In the light of liberalization, some of the players may go for tie-up with the ATM’s of banks with a facility of disbursing loans against the policies online and the like. Bajaj Allianz Life will offer its group insurance product *Sarva Shakti Suraksha* to 3.65 lakh members of Punjab State Cooperative Milk Producer's Federation Limited (MILKFED) in Punjab. This is the first time that Bajaj Allianz has tied-up with a milk co-operative federation in the country. *Sarva Shakti Suraksha* is a product designed specifically for microfinance institutions, regional rural banks, district central co-operative banks, farmer associations, dairy boards etc. with a special focus on financially excluded individuals. In India only 10 percent of the market share has been tapped by LIC and much remains to be tapped. There is huge potential to tap the rural segments which are still untouched in the industry. The success and growth of the insurance sector depends on the efforts being made by the insurance companies, on cost effectiveness & strong distribution network, integrated training and development programs for staff and agents, customized solutions and most advanced technology providing quick services, and financial stability. Competitiveness, and smart marketing strategies will add new dimensions to the insurance business in the coming years.

10.4.3 Marketing Strategies of Life Insurance Corporation

LIC is lining up aggressive strategies to introduce new policies. Its most popular individual and group plans provide a customer and his family not only the security of life insurance but also a lumpsum at the end of the specified term. Individual plans are designed to cater to the needs of individuals, joint lives, handicapped dependent, rural
people and children etc. It offers life insurance protection under group policies to various groups such as employer-employee, co-operatives, and to people below poverty line at subsidized rates under social security group schemes. It is introducing new plans with add-on features to cover up different aspects of life viz., education, career, marriage, health, income after retirement, etc., and also effecting modifications in the existing products in respect of bonus, rate of premium, term of premium etc. at regular intervals to retain its customers and attract the new ones with new schemes. ‘Jeevan Bharti-I’ has been introduced by LIC in place of ‘Jeevan Bharti’ by adding new features like policy loan and maximum term of maturity. It has also launched ‘New Jana Raksha Plan’, ideal for all, especially for people with irregular income, and various unit linked plans which offer protection with investment to fulfill the needs of various segments of the society. Customers are also offered a large variety of new products along with add on features like ‘health protection plus’ and ‘Jeevan Bharti-I’ in which critical illness benefits are available. In order to fulfill the needs of below the poverty line (BPL) people, it has launched ‘Jeevan Madhur’ and ‘Jeevan Mangal’. Jeevan Madhur is an insurance-cum-savings plan with profits. Jeevan Mangal Plan is a term assurance plan with return of premiums on maturity.

The complex pricing aspect is dealt by the actuarial department at central office (Mumbai). The mortality, interest and expense factors that go into the calculation of premium reflect the expertise of the company. For pricing a product, a life insurance company first considers the mortality table. The table is constructed on the basis of past data of mortality and representing the number of persons of various age groups dying every year out of the total persons living in the corresponding age group. Interest is the second factor affecting LIC premium. Higher the interest earned by LIC, the lower will be the premium rate. Loading represents the additions to premium due to expenses and for coverage of future contingencies. Expense rate cover two parts, viz., initial and renewal. Both these are sub divided into categories, viz., related to premium and related to policy or sum assured. The first category represents variable expenses like commission to agents and second category covers stamp duty, publicity, administrative and servicing expenses. Bonus is defined as an additional benefit in excess of the basic
benefit, paid to a with-profit life insurance policy. It is the amount added to the basic sum assured. A with-profit plan enables the policyholder to participate in the profits earned by the insurance company, which are then added to the sum assured, which is either paid out when the policy matures or in the event of death of the insured. LIC announces bonus on its ‘with-profit plans’ annually. There has been no change in the bonus rates declared on the policies by LIC from the last three years (2007 to 2009). However, the final additional bonus has been increased ranging from 3 percent to 24 percent for policy terms of more than 25 years.

Undoubtedly, the pyramid of LIC squarely rests on the back of the agents who craft the selling processes to focus more on the needs of his clients—education, home loans, marriage provisions, maximization of wealth, saving for future etc. The kingpin the primary contact person for the customers, the agent is equally the mainstay of the organization structure. The agents are remunerated on commission basis which is higher in initial years when the policy is sold and continues at a reduced rate till the policy is in force. Agents have grown in number and have recorded a marked improvement in their productivity. The total number of agents working for Amritsar division increased to 8752 in 2008-09 from 4041 in 1995-96 while their number in Jalandhar division increased to 7147 in 2008-09 from 3687 in 1995-96. The average number of policies sold per agent in Amritsar division increased to 21.17 in 2008-09 from 17.73 in 1996-97 while in Jalandhar division it increased to 21.17 in 2008-09 from 18 in 1996-97. The productivity of agents in terms of policies sold per agent has been found higher in Amritsar division as compared to Jalandhar division for the entire period covered under study. Again, the average new business sum assured per agent in Amritsar division increased to 23.12 in 2008-09 from 8.51 in 1996-97 whereas in Jalandhar division it increased to 14.16 in 2008-09 from 9.0 in 1996-97.

LIC has tied-up with large number of banks to market insurance products which include eight public sector banks, thirteen co-operative banks, nine regional rural banks, and one private sector bank. The tie-up has aimed at providing value added services in the form of life insurance products to customers of different banks. In the financial year 2009-10, LIC started a new channel “Direct Marketing” to explore the new age
marketing through digital campaigning and online marketing generating business leads. Initially, operations were started at six centers. In a short span of eight months, the channel expanded and has presence at 22 centers with 542 professionally trained Direct Sales Executives (DSEs), as on March 2010, to provide financial advice to prospective customers.

Promotion of the products of LIC is conducted at central, zonal and divisional levels of the Corporation. Its advertising strategies include campaigns on the Internet, and FM Radio channels targeted towards younger generation. Besides, television, media and outdoor sponsorships, house magazine ‘Yogakshema’ and reports in the media also reflect the positive image and trust of customers. Central office is responsible for budgeting and publicity through T.V and print media. The other promotional measures like hoardings and pamphlets are either dealt with at zonal or divisional level. The two new commercials produced for Television i.e. ‘Na Chinta Na Fikar’ and ‘The Boat - The Journey of Life’ proved to be extremely popular. The ‘health plus’ television commercial created during the year 2007-08, was also widely appreciated. During the year 2009-10, the emphasis was on displaying the maximum presence of brand LIC in all media vehicles to maintain and consolidate brand equity through various strategic initiatives. It also created more than twenty print advertisements on various products and corporate themes. To create health awareness among people, LIC sponsored eight episodes of ‘Fit Rahe India’, a programme educating about health, on NDTV India. A series of print ads was carried out in all major newspapers educating the customers about claims and policy servicing in addition to usual product ads.

Customers are becoming more net savvy and technology oriented, and hence expect fast processing and delivery of the policy. Claims processing, payment of future premiums, changes in the policy terms and other mundane things to be done on a convenient and fast basis. There are many services viz., change of address and transfer of policy records, loss of policy document, loans, nomination, survival benefit/maturity claims, revival of lapsed policy etc. provided by LIC to its customers. In addition, it has introduced two types of alternative channels for premium payment viz., offline and online. Premiums can be paid through alternate channels for inforce policies which are
not under Salary Savings Scheme (SSS). For the year 2009-10 around 10 percent premium of the total renewal premium received was collected through alternate channels. Besides, LIC, as a part of its Corporate Social Responsibility, formed a Trust - ‘LIC Golden Jubilee Foundation’ in the year 2006, with the objective of promoting education, health, relief of poverty or distress and advancement of other objects of general public utility.

The graphics of life insurance business show an upward surge in its prime aim and as a business activity and providing financial security to the ‘insured’. Over some years both LIC and the private players have brought about radical changes in products, pricing, distributional channels and services that they offer, keeping in view the changed mindset of the common man, the customer. The insurer-insured connectivity has become quick, direct and the wide reach. Insurance agents are beginning to embrace the concept of online customer self-service. Policyholders can gain access to their personal information and insurance coverage, request changes to policies and download certificates of insurance all at the click of a mouse.

LIC of India, the lead organization in the business, has been ever conscious of retaining its brand name. Consequently, it has revisited its conservative monopolistic attitude and effectively put in place many changes to present a ‘caring’ image. All the foursome concerns (product, pricing, distribution channels and promotion) have been addressed convincingly.

10.4.4 An Assessment of SERVQUAL Instrument
In spite of the growing importance of service quality, it remains an abstract and elusive construct that is difficult to define and measure. In the empirical literature, there are many alternative service quality models and instruments developed for measuring service quality. SERVQUAL instrument developed by Parasuraman et al. (1988) is one of the most pre-eminent and widely used instruments for measuring the service quality as perceived by the customers. Numerous scholars have emphasized the importance of service quality measurement, as it judges not only the external perceptions but also the real effectiveness of an organization’s operation. Although, service quality is found rich
in empirical studies on different service sectors, yet no study has been conducted to assess the dimensionality of SERVQUAL instrument in the life insurance sector from the Indian context. To make up for this lack, this chapter is an attempt to test the reliability and to examine the dimensionality of SERVQUAL instrument in order to measure service quality of LIC.

Out of the total 450, 337 responses (75 percent) were found to be valid and used for the purpose of analysis. For choosing the sample, non-probabilistic convenience sampling technique was used. SERVQUAL-22 item scale as proposed by Parasuraman et al. (1988) has been employed for collecting data regarding the customers’ perception and expectations of various service attributes. The discrepancy between perception and expectation (termed the P-E or gap) is a measure of service quality. Questionnaire consists of two scales, titled perceptions and expectations. The perceptions scale is a set of 22 items encompassing the five dimensions that describe what the customers actually think of the service. The expectations scale is a set of 22 matching items that describe what customers expect from an excellent company. Respondents were asked to indicate their perceptions and expectations level for each of the 22 items in the questionnaire using a seven-point Likert scale (ranging from 1 indicating ‘very strongly disagree’ to 7 indicating ‘very strongly agree’). The instrument was pre-tested on 150 customers from Amritsar city. This consequently led to some modifications in the SERVQUAL items. Two items under reliability, three items under empathy, two items under responsiveness, and two items under tangible dimensions, were clubbed into one item each to make the questionnaire more recognizable by the surveyed respondents. Further, one item of SERVQUAL instrument, viz., error free record was confusing; hence it was eliminated from the final questionnaire. The revised instrument consisting of 16 items was then used for the main data collection.

In order to test the reliability of the SERVQUAL scale and the internal consistency of the five dimensions as suggested by Parasuraman et al. (1988), Cronbach coefficient alpha was computed for each of the five dimensions using data on perceptions, expectations, and gap (the differences between the perceptions and expectations) scores. The results show that the internal consistency of the perceptions (P) scale in all
dimensions is quite higher than the gap (P-E) scale. All the five dimensions have internal consistency measures equal to or more than the cutoff value of 0.70 suggested in the literature. Therefore, perception scale demonstrated high reliability. This indicates that the customers showed a better understanding of the questions, which resulted in the higher consistency of the answers. However, the reliability coefficients for the expectations (E) scores were much lower. All the five dimensions of expectations scores and empathy dimension of gap scores measured reliability coefficients of below 0.60, which is the minimum satisfactory value, even for exploratory research. This indicates that customers have failed to understand rightly the questions related to these dimensions. Overall reliability of the perception (0.9110), expectations (0.7842), and gap (0.8701) scales were also quite high and hence deemed acceptable. By and large, the results do indicate that there are few reliability problems in using the gap model to measure service quality.

Factor analytic results show that most of the items proposed under five dimensions by Parasuraman et al. (1988) are relevant in measuring life insurance service quality in the Indian context and there are not major reliability problems except a few statements as pointed out earlier. The real problem was found to be in the factor structure. Indeed, factors obtained through exploratory factor analysis did not follow the factor structure as given by Parasuraman et al. (1988). The gap scores did not merge into five dimensions of service quality, however, the perceptions scores merged into three dimensions. Specifically, in perception scale, items loaded on the first factor (F1) are mainly composed of those related to the standard dimensions of assurance, empathy, responsiveness; second factor (F2) contains tangibles items along with one item of empathy; the items loaded on the third factor (F3) include two assurance and two reliability items of the SERVQUAL scale. Likewise, in gap scale, first factor (F1) is a composition of assurance, empathy, responsiveness; second factor (F2) highlights tangible items along with one empathy item; and third factor (F3) represents reliability items along with one assurance item.

Surprisingly, in perception and gap scale, some of the items merged in a single factor. This was more noticeable for the items pertaining to the assurance, reliability,
responsiveness, and empathy dimensions. These dimensions also showed significant reliability problems in case of expectations scores. Therefore, the statements of these dimensions could be modified or dropped and then the scale could be re-evaluated for its reliability and dimensionality. Most research studies do not support the five-factor structure of SERVQUAL as proposed by Parsuraman et al. (1988) and administering expectations items is also considered unnecessary. Nevertheless, the bulk of empirical evidence in the literature rejects the five-factor structure and questions the SERVQUAL application to wide variety of services. Many studies (e.g. Babakus and Boller, 1992; Carman, 1990) have illustrated that the number of service quality dimensions are depend upon the particular service being offered.

Although factor analysis results of gap scores did not support the five-factor structure of service quality as proposed by Parasuraman et al. (1988), yet Tsoukatos et al. (2004) asserted that the five quality dimensions of SERVQUAL would better identify specific areas for which quality improvement is necessary. Hence, in the present study instead of dimension level (due to the inapplicability of the same factor structure) the gap scores for individual items were analyzed using the Weighted Average Scores (WAS) for all the 16 items to identify areas where quality improvement by LIC is needed the most. Results of WAS computed on gap scores indicate negative gaps in all items of service quality which revealed that expectations of customers were more than their perceptions. The maximum gap (-2.15) among all the items was found to be in the area of ‘being neat and professional’. The next high gap (-2.02) existed in the area of ‘visually appealing materials and facilities’. The third substantial gap (-1.97) existed in the area of ‘modern equipment, fixtures & facilities’. The higher negative scores indicate that those attributes may not be available or at the most be inadequate to users even if available. Besides, biggest gaps call for immediate attention by service provider to make improvements in these areas.

The lowest gap (-1.51) was found to be in item which shows that ‘agents fail to make customers feel safe and secure in their transactions’. The attributes with lowest negative value can, however, in no way be ignored by service provider. Therefore, in order to reduce the gap, LIC must have to provide excellent training, education & awareness to
its staff to provide excellent services to the customers by building a relationship of trust. Conversely, failing to make improvement will widen the gaps and which will result in customer dissatisfaction towards service quality of LIC.

Overall, the results do indicate that a meaningful pattern or a higher level of abstraction can be obtained from SERVQUAL in the new context, although the original five dimension of the scale are not confirmed. Few statements which showed reliability problems should be restated or substituted by more relevant statements and a separate instrument may also be developed to measure service quality for the life insurance industry. However, SERVQUAL would need to be customized for each industry. It is worth mentioning here that the findings are in conformity with Tsoukatos et al. (2004) who employed factor analysis to examine the dimensionality of gap scale and found two-factor solution viz., non-tangibles (consisting four factors viz., reliability, responsiveness, empathy, assurance) and tangibles (consisting tangible items) instead of five-factor as proposed by Parasuraman et al. (1988) to measure service quality in Greek insurance industry. Hence, it is apparent that the criteria used to evaluate service quality and the number of dimensions can differ according to the country specific characteristics like that of Indian life insurance industry. Thus, SERVQUAL dimensions require re-examination in the context of Indian life insurance sector. As such, it would be advisable to re-define the factors according to the results obtained under the Indian conditions and then carry out the gap analysis for accurate responses from the customers and also for relevant suggestions for improvements.

10.4.5 Measuring Customers’ Perceived Service Quality: an Extension of SERVQUAL Instrument

Life Insurance Corporation of India, the leading insurance company has set up ‘benchmarks’ in enervating the whole concept of service quality. Empirical research in the service sector till date is primarily built on the Parasuraman et al. (1988) SERVQUAL instrument, a 22-item scale that measures service quality of customers along with five dimensions. Although, these dimensions cover only human element of service delivery and tangibles facet of the service, but according to Sureshchandar et al. (2001) the concept of service quality not only confines to the realms of these factors,
but also encompasses other critical factors. In an effort to conceptualize service quality (by taking into account all the aspects of customer perceived service quality, including those already addressed in the existing instruments and those that are left out in the empirical service quality literature), Sureshchandar et al. (2001) identified five factors namely, core service or service product; human element of service delivery; systematization/standardization of service delivery: non-human element; social responsibility; and tangibles of service quality as critical from customers’ point of view to measure service quality. These factors resulted from modifying the original SERVQUAL instrument, by adding and/or reducing other relevant factors. Hence, an attempt has been made to measure customers’ perceived service quality by applying a framework developed by Sureshchandar et al. (2001). An advocated procedure has been used to develop, refine and validate a scale. In this chapter, Perception (P) only and Perception minus Expectations (P-E) scales have been employed. Both scales have been widely used in prior studies with various services. However, no comparative evaluation has been done to determine which scale/model performs better to measure customers’ perceived life insurance services. Therefore, this is an attempt to fill this gap.

A total of 450 customers from Amritsar, Jalandhar and Ludhiana were approached among whom 337 correctly completed questionnaires were obtained (yielding a response rate of about 75 percent) and used for the purpose of analysis. For choosing the sample, non-probabilistic convenience sampling technique was used. As per the views of Sureshchandar et al. (2001) the dimensions and items (vis-à-vis the parlance) of the instrument are highly flexible, in the sense that the items can be modified to suit any service category e.g. finance (banking, non-banking financial institutions and insurance), construction, travel, health care, education and hotels. However, of the 41 items in five-factor structure model, five were found inapplicable for inclusion to the life insurance service setting in the Indian context. In addition, 16 new items were added to the scale to operationalise the perceived service quality. In order to derive the additional items, a thorough review of relevant literature and particularly of studies conducted in the life insurance sector at national and international level was done. To examine the face or content validity of the items for inclusion/exclusion, the assistance
was sought from experts (branch managers, divisional sales and marketing managers, development officers, training executives, and especially agents) in the LIC offices. Their opinion was used as a filter to unveil specific quality statements based on their experience that really matter for the customers. Eventually, all the 52 items (36 original and 16 new) were found relevant by all examiners. For that reason, the final instrument consisting of a pool of 52 items was developed on a seven-point Likert scale ranging from ‘very strongly disagree’ (1) to ‘very strongly agree’ (7) to tap respondent’s perception and expectations towards service quality of LIC. The instrument was pre-tested on 150 customers from Amritsar city. This consequently led to some modifications in the items. The revised instrument was then used for the main data collection.

The scale so generated was refined and purified using item and reliability analysis. Combining both the approaches, reliability of the 52-items was tested by computing Cronbach alpha scores on Perception (P) only and Perception minus Expectation measurement scales. Hence, it is observed that the application of this technique has reduced the 52-item customers’ Perception (P) only scale to 42-item scale. On the other hand, customers’ 52-item Perception minus Expectation (P-E) scale has reduced to 39-item scale. Cronbach alpha value is estimated as 0.9568 and 0.9398 respectively, for both the scale indicating high level of scale reliability. In order to provide a more parsimonious interpretation of the results, factor analysis using the Principal Component method with Varimax rotation on 42-item Perception (P) only and 39-item Perception minus Expectation (P-E) scales were then performed. However, the adequacy or appropriateness of data for factor analysis has been examined beforehand with the help Correlation Matrix, Anti-image Correlations and Kaiser-Meyer-Oklin (KMO) Measure of Sampling Adequacy (MSA) and Bartlett’s test of sphericity.

In addition, on the basis of communality value, and cross factor loading test some of the items were deleted as per the recommendation made in the literature (e.g. Hair et al., 2010; Rahtz et al. 1988). Ultimately, the final factor solution of Perception (P) only scale, which met the criteria, included 34-items defined by seven factors (Proficiency; Media and presentations; Physical and ethical excellence; Service delivery process;
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Security and dynamic operations; Credibility; and Functionality) whereas final factor solution of Perception minus Expectation (P-E) scale included 30-item scale defined by eight factors (Publicity; Service delivery process; Accessibility; Contentment and technology; Ethical accountability; and Redressal and office layout). The seven-factor solution accounted for 66.42 percent while eight factor solution accounted for 63.26 percent cumulative variance, which is higher than 50 percent and deemed acceptable (as per the recommendation of Nunnally and Bernstein, 1994).

To assess the overall effect of the instrument on service quality, and to determine the relative importance of the individual dimension of the generated scale, multiple regression analysis has been performed on each scale. For regression analysis, the study adopted the use of a single-item direct measures of overall service quality, namely, ‘overall quality of the LIC is excellent’ at seven-point Likert scale. To identify the best model to measure customers’ perceived service quality following hypothesis was formulated and tested:

$H_0$: The Perception (P) only scale is expected to be better in explaining the variation in life insurance service quality than the Perception minus Expectations (P-E) scale.

The regression model considered the seven dimensions as independent variables and overall service quality as dependent variable. Among the seven dimensions of Perception (P) only scale, three viz., Proficiency; Physical and ethical excellence; and Functionality appeared to be significant predictors (p<0.05) of overall service quality. In case of Perception minus Expectation (P-E) scale, the regression model considered the eight dimensions as independent variables and overall service quality as dependent variable. Among eight dimensions, two viz., Proficiency and Service delivery process appeared to be significant predictors (p<0.05) of overall service quality.

Adjusted $R^2$ values evidently point to the superiority of Performance (P) only scale for being able to explain greater proportion of variance (0.143) in the overall service quality than in the case with Perception minus Expectations (P-E) (0.077) scale. The results of the present study are quite in conformity with previous marketing studies like, Cronin and Taylor (1992); Parasuraman et al. (1991, 1994); Soliman and Alzaid (2002); Pitt et
al. (1997); and Gupta and Jain (2004) who also found higher predictive validity of P only scale in their studies, and hence, recommending the use of Perception (P) only scale.

On the basis of superoirtity of the scale, ANOVA-one way classification was performed on Performance (P) only scale to test whether any significant difference existed among the various groups (age, qualification, occupation, income, and policies bought) of respondents across 34-item perception scale. Five hypotehsis were formulated and tested. For the purpose of analysis, weighted average scores (WAS) have been calculated. The results revealed that significant differences have been existed among the respondents’ groups and their perception across 34-item scale. Hence, null hypothesis has been rejected.

In addition, the results show that most of the items proposed under five-dimension structure as suggested by Sureshchandar et al. (2001) are qualitatively relevant to measure life insurance service quality in the Indian context. In some services the five-factor structure of Sureshchandar et al. (2001) need considerable adaptation and items used to measure service quality should reflect the specific service setting under investigation, which may necessitate addition or deletion of some items as required. Researchers and practitioners who apply the five factors to life insurance market in general particularly in India should re-evaluate the measurement instrument.

10.4.6 Agents’ Perception towards Life Insurance Corporation

Life Insurance Corporation of India, the capital intensive business, provides the most important financial instrument to customers aimed at protection as well as long term savings. The Corporation reaches out to the people through the main traditional route of the agency model for the selling processes of the numerous complex need-based products. The agents help in marketing its policies by spreading the message of life insurance among the masses. They serve as the kingpin for insurance companies seeking to provide traditional and innovative products, and the focal point for customers seeking to procure insurance coverage and long term savings. Hence, an attempt has
been made to investigate the factors influencing agents’ perception towards Life Insurance Corporation of India.

A sample of 350 agents was taken who were approached personally at their workplaces. Of these, 225 questionnaires completed in all respects, were used for the purpose of analysis. For choosing the sample, non-probabilistic judgment-cum-convenience sampling technique was used. A scale of 39 statements was developed on a seven-point Likert scale ranging from ‘very strongly agree’ (7) to ‘very strongly disagree’ (1) to tap respondent’s perception towards LIC. Items were finalized after consulting relevant literature and after helpful discussion and interaction with well-known development officers, managers, training executives, and agents. About 30 percent of the statements were worded negatively to reduce the risk of the respondents replying in affirmative during data collection. These were, however, reverse coded for the purpose of data analysis and thus, interpreted accordingly. The instrument was pre-tested on 50 agents from Amritsar city. Based on the written and verbal comments, some statements were rephrased. The revised instrument was then used for main data collection.

Before applying factor analysis, item and reliability analysis was performed to retain and delete scale items for the purpose of developing reliable scale. Corrected item-to-total correlations and Cronbach’s alpha statistics were employed to conduct this type of analysis. The application of this technique has reduced the 39-item agents’ perception scale to 27-item scale. To bring out the factors influencing the perception of agents towards LIC, the final 27-item perception scale was subjected to exploratory factor analysis using principal component method with varimax rotation. However, the adequacy or appropriateness of data for factor analysis has been examined beforehand with the help correlation matrix, Anti-image Correlations and Kaiser-Meyer-Oklin (KMO) Measure of Sampling Adequacy (MSA) and Bartlett’s test of sphericity. Besides the Bartlett’s Test of Sphericity and the KMO Measure of Sampling Adequacy, cross factor loading and communalities value test for all variables were also observed. On the basis of these tests some of the items were eliminated from the data as per the recommendation made in the literature (e.g. Hair et al., 2010; Rahtz et al. 1988). The final factor solution, which met the above said criteria, included 23-items defined by
seven factors which reflect the agents’ perception towards LIC. Agents perceive that Staff co-ordination as the most important factor of service. Customer target is also adjudged as the second most important factor followed by Competitive advantage predicates, Material hallmarks, Promising product & process, Service enhancement, and Exclusive attention. These findings blend in with the conclusions reached at regarding agents’ training, development officers and staff behaviour, problems faced by agents, facilities provided at LIC office, LIC advertisement etc. by Arora (1992); and Muralidhar (2001). The seven factors so generated explain 70.47 percent of the total variance which is higher than 50 percent and deemed acceptable. So, seven factor solutions might be suggested (Nunnally and Bernstein, 1994). The value of communalities (h2) ranged from 0.539 to 0.897 for various statements. Moreover, significant relationship exist between the factors, although these factors were conceptually distinct from one another as shown in the results of Principal Component Method discussed earlier.

ANOVA-one way classification was performed to test whether any significant difference existed among the various groups of respondents across 23-item perception scale. Five groups of the respondents that are considered for ANOVA-one way analysis are education level, working experience, type of agents, club membership, and number of policies sold. For that purpose five hypotheses has been formulated and tested. For the purpose of analysis, Weighted Average Scores (WAS) have been calculated. The probability values (p) for all the groups is higher than 0.05 (level of significance), and therefore the null hypotheses may be accepted. It can be concluded that there is no significant difference among various groups of respondents with respect to their perception towards LIC for 23-item scale.

10.5 Suggestions for the Life Insurance Corporation

10.5.1 From the point of view of Customers

a) On the basis of SERVQUAL instrument: In fact, only those organizations which are in a position to enhance quality in their end products will sustain and maintain their credibility. Therefore, LIC must have to focus on quality improvement strategy to remove the quality flaws by giving the first priority to the items with maximum gaps
and subsequently to the items with lowest gaps. However, SERVQUAL instrument is moving around the human element of service delivery (which consists of assurance, reliability, responsiveness & empathy) and tangibles attributes, so, LIC should ensure that agents & employees are well trained and understand the needs of customers and provide services accordingly that the organization is supposed to provide. Besides, in the competitive environment, by performing on differential strategies aimed at improving the service quality, LIC will be able to add value to their relationship with the current and prospective customers.

b) On the basis of extended SERVQUAL instrument: The findings of the study show that seven factors play a vital role in influencing the perception of customers towards service quality of LIC. Proficiency is the key factor having impact on customers’ perception towards life insurance service quality. By improving the performance of agents and employees, LIC can increase its customers’ satisfaction. In addition, other factors that customers are concerned in life insurance sector are Physical and ethical excellence; as well as Functionality. Existing life insurance players and new/potential entrants to Indian life insurance market must specify the weight of each factor having impact on customer’s perception towards life insurance service quality. They can initiate appropriate action plans and to successfully increase its market share. Moreover, those who are plan to do business in India should be discerningly attentive while studying service quality, so that they can focus on the major dimensions and plan to meet the customers’ expectations.

10.5.2 From the Point of View of Agents
Success and overall growth potential of the insurance business depend on the efforts being made by the insurance companies in selling insurance products and services to the policyholders. Selling insurance products is a smart strategy and the real challenge is to retain and service the customer in the vibrant multiplayer competitive industry. Agents serve as the kingpin for insurance companies seeking to provide traditional and innovative products, and focal points for customers seeking to procure insurance coverage and long term savings. The factor analytic results of the present study reveal that there are seven factors influencing the perception of agents towards their
organization. *Staff co-ordination* is the key factor having impact on agents’ perception. Therefore, staff should be more efficient to provide enough support in agents selling activities. In addition, other factors that agents are concerned in life insurance sector are *Customer target, Competitive advantage predicates, Material hallmarks, Promising products & process, Service enhancement, and Exclusive attention.* Life Insurance Corporation of India must specify the weight of each factor having impact on agents’ perception and equally propose appropriate action plans to improve agents’ performance as well as its profitability.

Notwithstanding the technological reorientation in the insurance business, the human factor, the agent continues to be the vital bond in the chain. He must not only be committed to the organization but must be equally intrinsically motivated. If agents are satisfied with their organization in every respect (efficiency of supporting staff and their behaviour, training/refresher courses, working environment etc.) they can provide efficient services to the policyholders and help to increase the brand image of the Corporation. So, LIC should consider its agency system as the most crucial distribution channel and should make every effort to provide them efficient facilities.

**10.5.3 On the basis of Marketing Strategies and Emerging Scenario**

Life insurance products should be reinvented to meet the changing aspirations of different segments of the society – young professionals, career oriented ladies, traders, farmers, salaried people, sports persons, artists, senior citizens; investing life insurance products with add-ons as riders in a way that would capture the imagination of customers. The rural sector has potential for life insurance, therefore, LIC needs to pay more attention to the irregular income streams of the rural labor force and design more simple products to cater to their needs. It also has to look into the needs of the people below the poverty line and has to design new schemes as a part of social responsibility. LIC has got to re-look and review its recruitment policies, training requirements, compensation levels and incentives to revitalize its workforce both in the offices and in the field. Senior managers and officers have to match the strategies, skills, energy and dynamics of the competitive organizations. There is no time to rest on one’s laurels in a competitive environment.
Publicity should catch peoples’ imagination by stressing on positive aspects of health care and living needs as well as the traditional benefits to the policyholders. All types of publicity media i.e. newspapers, magazines, hoardings, electronic media etc. have to be properly utilized to reinforce LIC brand image. The insurance companies should have to use heavy informative advertisement to show how the service can be better utilized. But as the insurance company’s benefit of service is futuristic, it should practice more of reminder advertisement to show the cost benefit of insurance policy.

10.6 Limitations of the Study

The conclusion drawn from the results of this study are subject to certain limitations.

- The basic shortcoming of primary survey may be the gap between the respondents’ speculative response and the truth, as observed by Malhotra (2005, p 169) that the main disadvantage of conducting a primary survey is that respondents may be unable or unwilling to provide the desired information. In the present study too, the verity might be quite different from the stated response.

- This study has been carried out in the perimeters of Punjab and on such results obtained may not be pertinent to the country as a whole. However, the study could serve as a lead and be made extensive to other states of India.

- Again, the present study is restrictive in context, conducted by taking a sample of 337 customers and 225 agents of LIC (a public company), ignoring the private life insurance companies. This cannot lead to the generalizability of the findings and the results may not be implied conclusively to the whole life insurance industry. Additional studies are recommended to fill this gap.

- In the case of marketing strategies, ‘socio-economic profile’ published at divisional level (the relevant source of information regarding agents, development officers’ strength and their productivity etc.) has ceased to be published by the respective divisions. Hence, the non-availability of the relevant information has put a few constraints on the study.
10.7 Scope for Further Research

- In the present study a framework developed by Sureshchandar et al. (2001) has been employed to measure customers’ perceived service quality. Being flexible, the dimensions and items call for modifications to measure service quality to suit any service category (e.g. finance, banking, travel, health care, education and hotels etc) from customers’ point of view.

- In the present study for measuring customers’ perception, a comparative evaluation has been made by taking into consideration Perception (P) only scale and Perception minus Expectations (P-E) scale. In future, the comparative evaluation of alternative measurement scales of service quality e.g Perception (P) only; Perception Minus Expectations (P-E); Importance (Perception), I (P); Importance (Perception Minus Expectations), I (P-E) (as suggested by Cronin and Taylor, 1992, 1993) on the basis of their reliability, validity and ability in explaining variations in the overall service quality could be carried out.

- Agents, development officers, and employees help in initiating the plans and marketing policies of the LIC. In the present study factors influencing agents’ perception has been assessed. In future, researchers can focus on to study the factors influencing development officers’ and employees’ perception and their satisfaction level towards LIC.