Chapter – 1

AIM AND METHODOLOGY
INTRODUCTION

All business firms have realized that marketing is a core element of management philosophy and the key to its success lies in focusing more and more on the customer. That is, it will be the customer who will decide where the firm is heading. Thus the challenge before the marketer is to ensure that they satisfy every customer.

The purpose of production is consumption and one’s own purpose will be served only if the consumers interests are attended to. Here then arises a very vital question. How can a marketer ensure that his/her firm is able to respond to their customers requirement quickly? The answer to this question lies in the quality of service it is offering to its customers. This again will depend upon the consumer expectations from the product or service. No doubt the quality of the product or service will decide whether it matches the consumer expectations or not, but the firm and marketer must make all efforts to ensure that consumer satisfaction is achieved.
The aim of this study, thus, is to provide an insight into the characteristics of the insurance consumer markets, identity the possible sources of dissatisfaction, work towards handling complaints from consumers, which in turn will help in enhancing customer satisfaction and prevent dissatisfaction.

Today consumer is looking out for value for money. The challenge before the marketer is to identify what value would appeal and convince the consumer. Marketers are trying to enhance characteristics, customer’s aspirations and perceptions and the availability of competing alternatives can be used to enhance customer value.

But the focus and challenge before every firm is to rebuild itself around its customer. It should be able to perceive, interpret, serve and satisfy the customer with the type of products and services he/she desires and arm itself so as to gain a competitive edge of customerisation.

More often than never consumers try to compare expectations with their post purchase experience with the product or service. If the outcome falls short of expectations,
it is referred to as negative discrepancy otherwise it is positive discrepancy. Thus discrepancy will induce satisfaction or dissatisfaction. This study aims at searching for any short falls in meeting the satisfaction levels as expected by the insurance consumers.

THE PRESENT STUDY

The insurance sector plays an important role in the development of economic and financial sector. A strong insurance industry enables enterprises to better manage their financial affairs and protects households from financial losses arising from accidents and other hazards such as fire, theft, illness and death. Insurance enhances economic welfare and efficiency by shielding individuals from major financial losses and by allowing business to continue operating despite the occurrence of catastrophic events. Hence, the development of a sound insurance sector in an economy is highly exposed to real and monetary shocks.

Insurance sector is one of the fastest growing sectors. In the present scenario with simple growth opportunities and
apart from this, insurance sector is one of the major sources of employment.

Insurance was considered as a savings instrument in India rather than a product which offers protection and security to the person who is insured. According to a LIC survey, more than 40 per cent of the insurance buyers considered insurance as a means of savings. Risk coverage is only a secondary objective. Indian life insurance industry is still an underdeveloped one, as 80 per cent of the Indian population is still not under the insurance coverage, and 80 per cent of LIC'S business procured by 20 per cent of its ill-trained agent force. Life insurance is truly a social benefit and symbolizes socialism at its best. Both the rich and the poor pay the same rate of premium.

LIC continues to be the dominant player in expanding the insurance market by selling its policies. With its wide network, trained staff and decentralization of servicing functions to the branches, LIC has been trying hard not only to move closer to the customers but also to avoid delays in the delivery of services. Only the need of the hour is that, LIC and private players should develop training and working
pattern in such a manner, so that, highly motivated staff, agents and supervisors can raise their quality of service level equal to the expectation of the customers. In this manner, both the public and private insurance companies can satisfy the customers by prompt, courteous and fruitful services with professional skill, and modern technology, thereby reducing avoidable delays in providing services. They also need to adopt more effective marketing strategies to provide quality services to their customers.

OBJECTIVES

1. To study the origin, history and economic significance and different products of the life insurance business.

2. To measure and evaluate the performance of the LIC branch in Anantapur.

3. To critically evaluate the performance of LIC branch in Anantapur through an opinion study of life insurance consumers.

4. To identify the areas of policy holder's dissatisfaction and evolve findings and suggest steps for improving the quality of customers service in LIC business.
RESEARCH METHODOLOGY

Research Design

Research design is descriptive in nature.

Sample Design

In this study the population consists of the insurance policy holders in Anantapur town. The sample size is 250. Convenience sampling method is adopted for selecting sample for the study.

Design of Questionnaire

Primary data were collected from policy holders of LIC during the years 2007-2009 at different intervals. A structured questionnaire was designed to collect data for the study. The questionnaire consisted of the both open-ended and close-ended questions.

Data Collection

Both, primary and secondary data were collected and used for the study. The required secondary data was collected through various journals, magazines, newspapers, books, reports, etc. The required primary data were collected from the respondents by face-to-face approach and using of
questionnaire. To collect primary data, a detailed questionnaire was prepared covering various aspects of the objectives of the study.

**Statistical Tools used for Analysis of Data**

The collected data are tabulated and presented through percentages and weighted averages. For the purpose of the analysis of the data in this study, generally the tabular analysis is adopted. Wherever necessary percentages, ratios and growth rates are calculated to facilitate the significance or otherwise of the phenomenon in the data. Wherever necessary, tables and graphs are used to analyze the data.

**SIGNIFICANCE OF THE STUDY**

The study becomes significant in the existing environment of insurance business where a number of private insurance companies are emerging as competitors to hitherto monopoly enjoyed by the Life Insurance Corporation of India (LICI). When the customer has to choose from a large number of options, he would obviously choose the best possible service – rendering agencies.
Studies of this type would alert the business agencies in improving the features, pricing structures and service delivering methods in case of insurance business as the study aims at finding the deviations between the customer expectations and fulfillments.

The study assumes more relevance as it examines the customer satisfaction during 'pre sales', 'during sales' and 'after sales' period especially to study the degree of satisfaction felt by the policy holder at the time of policy maturity.

The present study is significant, for it deals with a subject namely consumer satisfaction in a service sector business which is more relevant in the present world of consumer exploitation. The study also reveals various aspects and factors that enlightens the problems of policy holders.

SURVEY OF LITERATURE

Various studies conducted earlier were constituted for the purpose of this study. Some of them are given below:
V. Selvon\(^1\) opined in his study that there is a one liner about insurance salesmen that they keep us poor all over lives so that we can die rich. Sharif\(^2\) differentiates that the concept of pension / annuity is the antithesis of that of life insurance and said while life insurance covers the risk of premature / early death, the annuity / pension covers the risk of long life. However, life insurance companies are marketing both the plans.

Kohli\(^3\) concludes that Indian insurance market is a mega market with a huge potential. It's both dynamic and vibrant especially following the economic liberalization. Ramachandra\(^4\) concludes that LIC, the market leader, is far more aggressive and is unwilling to lose ground to new players. A shift from public sector monopoly to entry of Indian and foreign players in the insurance industry has definitely ushered competition in the sector.

Sam Ghosh\(^5\) pointed out that the four main challenges to the LIC industry are product innovation, distribution, customer service and investments. Unit-linked personal insurance products might find greater acceptability with
rising customer awareness about customized, personalized and flexible products.

Sangita Mehata\textsuperscript{6} cautioned that the IRA should be cautious about the unscrupulous fly-by-night operators who may misappropriate funds. Vannirajan\textsuperscript{7} mode an analysis of rural-urban preferences and concluded that the rural consumers are driven more by the reliability and empathy than by the urban consumers. Preeti Agarwal\textsuperscript{8} concludes that insurance in India has come a long way since its inception and is more concentrated in relatively financially stable urban areas. Sonia Chawla and Fulbag Singh\textsuperscript{9} opined in their study that the issues surrounding the measurement and provisions of service quality in the life insurance sector are becoming increasingly important. Keya Sarkar\textsuperscript{10} observed that private insurance is being opened up because a monopoly for the industry is not good for the consumer.

V. Selvam\textsuperscript{11} observed that India's insurance sector is the largest mobilizer of savings after banks as it constitutes 15 per cent of gross domestic savings. Chandra Sekhar\textsuperscript{12} stated despite the monopolistic control over the market by Life Insurance Corporation of India and General Insurance
Corporation with its four subsidiaries, market penetration remained low. In the absence of competition, Government agencies did not bother to develop the market, but were content with the business that was coming their way.

Gronroos\textsuperscript{13} argued that, the marketing of insurance services is based on the motto of customer orientation, which makes possible a fair blending of customer satisfaction and profit generation and further stated that the basic objective of the life insurance marketer is related to the profitable sale of services that satisfies customer financial requirements and needs.

Sandhu and Neetu Bally\textsuperscript{14} in their study highlighted the recent trends in LIC in the changed environment and suggested effective implementation of marketing strategies, revision of premium rates, promotion of LIC activities in rural areas, measures to implement marketing approach throughout the organization and improvement in the quality of services.

Crosby and Stephens\textsuperscript{15} (1987) empirically studied the effect of relationship marketing on satisfaction, retention and
prices in the life insurance industry. The study found that relationship marketing was essential because life insurance was long term concept.

National Council of Applied Economic Research\textsuperscript{16} (1979) undertook a survey to study the profile of the policyholders in rural and urban areas and their motivations and attitudes towards life insurance.

Mohan R Lavi\textsuperscript{17} stated that insurance companies, salesmen, innovative policies and unique benefit plans have all mushroomed after the opening up of the sector post 1991. Shariff\textsuperscript{2} appreciated the role of LIC in extending annuity / pension schemes along with life insurance covering risks of pre-matured deaths and also covering the risk of long life. Kohli\textsuperscript{3} stated that Indian insurance market becomes both dynamic and vibrant, especially following the economic liberalization. Lakshmi Krishnan\textsuperscript{18} opined that insurance sector should be opened up because a monopoly in the industry is not good for the consumer.

Ramachandra\textsuperscript{4} concluded the insurance industry has all the functioning, modernizing and providing better facilities
intermediaries that are required to become a force in the global area and has ushered competition in the sector.

Sam Ghosh⁵ identified in his study the main challenges facing the insurance industry viz., product innovation, distribution, customer services and investments. Sangita Mehata⁶ cautioned the Insurance Regulatory Authority (IRA) about the unscrupulous fly-by-night operations, who may misappropriate funds. Preeti Agarwal⁸ stated that insurance in India is more concentrated in relatively financially stable urban areas.

Selvan, V.¹¹ observed that India’s insurance sector is the longest mobiliser of savings after banks as it constitutes 15 per cent of gross domestic savings.

Dr Periasamy¹⁹ traced to the history of LIC business in and how it came to India and the present form of it. B. Karuna²⁰ concluded in his study that the insurance industry is now witnessing a changing trend in a range of areas, a few of which relate to the regulatory prescriptions and compliances, customer servicing, product designing,
distribution channels modeling and acquisition of skilled staff.

Jawaharlal\textsuperscript{21} concluded that the Indian insurance industry has always suffered from drawbacks like lack of proper understanding of the purpose of insurance, lopsided growth, etc. Emphasis should be on finding new technological avenues and create a vibrant competition leading to the customer being the ultimate winner.

Gupta\textsuperscript{22} highlighted... with the increasing dynamism of risk and the growth of professional risk management, the insurance device has become more and more popular. Gangadhara Rao\textsuperscript{23} stated that the life insurance industry has come to face many challenges and with that several initiatives have come into existence.

Nalini Prava Tripathy\textsuperscript{24} provided in his study an insight into the operational policies, practices and vital issues with the latest trends in the insurance sector. Bhattacharya\textsuperscript{25} highlighted the challenges of risk management and the role of insurance in facing them. Koteswar\textsuperscript{26} in his work discussed pure risk management and the role of insurance and the
trends in reinsurance business. Mark\textsuperscript{27} explained the protection of consumer interest by ensuring proper payments by the insurers.

Srivatsva\textsuperscript{28} highlighted the growth of insurance business which entails better education and protection to consumers and creating better incentives for commission agents and intermediaries. William Beever\textsuperscript{29} found in his study that despite the total transformation Indian insurance has been still lagging behind in comparison with the world wide insurance markets.

Shaw and Lunawat\textsuperscript{30} concluded in their study that insurance penetration and density were also very less in India as compared to global averages. Kenneth Black and Harold\textsuperscript{32} concluded in their study that \textit{the entry of banks into the life and health insurance field has opened a new major distribution system.}

Samir Shah\textsuperscript{31} stated that in order to quantity risk, forecasting models must explicitly reflect the same. Srivatsava\textsuperscript{32} in his study dwelled upon transitional aspects of life insurance industry in India. Santosh and Kishore\textsuperscript{33} in
their study explained how the funds generated by the LIC were utilized for the infrastructure, housing and other areas of economic development.

Palande\textsuperscript{34} commented that the LIC was improving its competence, competitiveness, competence and customer responsiveness. Dennenberg\textsuperscript{35} stated that insurance way of doing things has changed the risk perceptions and found acceptance with a larger segment of the society. Emmett Vaughan\textsuperscript{36} advocated that increased insurance activities have to be in commensurate with the customer aspirations.

Harrington\textsuperscript{37} concluded in his study that risk incidence business wise and person wise has increased in the wake of escalated business activity all over the world and hence the need for new insurance plans to address the issues emerging.

Muller\textsuperscript{38} described the various principles of insurance management. Rejda\textsuperscript{39} in his study evolved new principles of risk management and applied them to insurance aspects. Coe and Osborn\textsuperscript{40} dealt with the life assurance practices in different countries on a comparative basis. Ray\textsuperscript{41} in his work studied the pattern of life insurance in India.
REFERENCES:


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30. Shaw and Lunawat, “insurance penetration and density were also very less in India”, Indian Journal of Commerce, 2008.


