1.1 INTRODUCTION

Success follows success in the life of every one who sincerely carries out every activity with a constructive plan. It is the desire of the people to own property in order to lead a long life happily. But mankind is subjected to many risks such as property losses from fire and storm and personal losses from disabilities and premature death. Though it is impossible to completely prevent such unfavourable occurrences, it is quite possible to guard against the financial reasons. It is the function of insurance to safeguard policy holders and their dependents from finance misfortunes.

Life insurance is a contract providing for the payment of a pre-determined sum of money to the policyholder, or on his untimely demise, to the nominees who are entitled to receive it. After the death of the policyholder no further premium is required to be paid towards the policy. A family is generally dependent for its food, clothing and shelter on the income bought in at regular intervals by the breadwinner of the family.

So long as the breadwinner lives and the income is received steadily, that family is served. But should death suddenly overtake him the family may be left in very difficult circumstances and sometimes in stark poverty. The unpredictability of death is inherent in human life. As the risk is unpredictable
this gives rise to the need for some form of protection against the financial loss arising from death.

Under a contract of insurance, loss of these unfortunates is compensated for by the contribution of a large number of policyholders who are also exposed to the same type of risk. In fact, the essence of insurance is the sharing of losses, and the substitution of certainty in the place of uncertainty. When the risk under consideration is premature death, the possible financial hardships of the dependents of the deceased policyholder are indemnified through life insurance.

The early history of life insurance lies in the pages of antiquity. The earliest available reference to some form of insurance is found in the quote of Manu namely “Manu Dharmashastra”. Manu the ancient scholar and law-giver enjoined that a special charge be collected for goods carried from one place to another to ensure their safe carriage until, it was finally handed over to the consignee at the destination. Risk premium rates were worked out by men skilled in sea voyages. Man in his quest for security against uncertainties, was striving constantly and the insurance emerged out of his constant quest for security.\(^1\) It was the British who formed the first insurance company in India. It was called Oriental Life Insurance Company. Several other European Companies were formed in India but many failed either due to ineffective and bad management or because they were reluctant to extend the cover of insurance to Indians. The first
event which heralded the dawn of the Indian proposition, promotion, and management of life insurance of India was the starting of the Bombay Mutual Life Insurance Company which offered insurance to Indian lives on par with European Lines.\textsuperscript{2}

“So long as the maintenance of a family depends on the earning power of the bread winner; so long as the earning power can be destroyed by death, old age or disability” just so long will life insurance continue to be the keystone of the individual and those who depended upon him.\textsuperscript{3}

Every breadwinner is worried about the security of his kith and kin, if he dies early. One of the best solutions for those worries is life insurance, which alone provides guarantee under all circumstances provided the policy is kept in full force by paying premium in time.

\textbf{1.2 STATEMENT OF THE PROBLEM}

India has the highest number of life insurance policies in force and the total investible funds with the Life Insurance Corporation of India (LIC) are almost eight percent of GDP. The LIC OF INDIA has more than five lakhs of employees who in turn supervise through 2048 branches offices and more than five lakh agents. Yet life insurance business in India is spread very thinly and shallowly and the role of LIC of India as a mobiliser of long-term savings is insignificant. Savings through life insurance contract guarantee protection against monetary risk
caused by death of the insured. In life insurance contracts generally the lump sum assured is payable with bonus, whereas in other forms of savings the amount saved is repayable with interest. Life insurance facilitates long-term savings through easy instalments.

Savings are to meet the current needs to provide for their old age requirement. In a large number of cases, policyholders take life insurance policies with the LIC of India for the purpose of planning and covering the risk. Many policyholders have a strong feeling that life policies act as a cushion for long-term investment.

The growing competition, rising customer aspiration and the increasing private participation are posing a threat to LIC of India. The LIC of India has to adopt special marketing strategies to gauge the changing scenario of the customers expectation as well as to ensure the continued customer satisfaction not only through innovation like online payment, ECS modifications of the product, better services, physical facilities and so on but also by motivating the sales force of the agents and development officers.

The success of marketing depends on the marketing practices adopted by the agents and development officers along with the product innovation. The marketing practices start with simple presentation progressing to subtle persuasion through various methods. The marketing practice of the LIC of India agents and
development officers commences from the prospect identification and ends with closure of sale. Further the agents and development officers should have the talent to convert the probable policyholders into potential buyers.

The sales personality of an agent and development officer is determined by some external and internal factors. The internal factors like the attitude and the personality traits and the external factors such as the socio economic factors of an agent and development officers may shape them to be a better salesman and also play a definite role on their marketing.

Hence, an attempt has been made to study the marketing service of LIC of India in Madurai Division.

1.3 OBJECTIVES OF THE STUDY

1. To trace the history and growth of LIC of India.

2. To study the marketing strategies adopted by the LIC of India.

3. To analyse the perception of the policyholders towards the services of the LIC of India.

4. To assess the attitude of the agents towards the services of the LIC of India.

5. To examine the opinion of the development officers towards the service of the LIC of India.

6. To offer suggestions based on findings of the study.
1.4 SIGNIFICANCE OF THE STUDY

Death is certain but the time of death of the individual is uncertain. So there is uncertainty of the time when the suffering of financial stringencies may befall the family. Moreover, every person is responsible to provide for the family. It would be a pathetic sight in the world to see the wife and children of a man looking for someone more considerate and benevolent than the husband or the father, who left them unprovided. Therefore, the provisions for children until they reach a stage when they could look after themselves should be made. Any other provision except life insurance will not adequately meet this financial requirement of the family. Wholelife policies are the better means of meeting such requirements.

The provision for old age is required. The reduction of income in old age is serious to the person and his family. Life insurance provides old age funds along with the protection of the family by issuing various policies for the economic growth of the country. Insurance provides strong hand and mind and protection against the loss of property and adequate capital to produce more wealth.

Life Insurance Corporation plays a crucial role in providing life insurance to the public. It is needless to reiterate that such a vital and public related service organisation should function efficiently without giving any reason for complaints from the policyholder. Hence the present research work has been carried out to
analyse the perception of the policyholders and assess the opinion of the agents
and development officers towards the services and functions of LIC of India, Madurai Division.

1.5 LIMITATION OF THE STUDY

The study has the following limitations. The researcher has collected data from only 300 policyholders. The other policyholders have been excluded from the preview of the study. He has also collected data only from 200 agents and 200 development officers.

1.6 OPERATIONAL DEFINITION OF CONCEPTS

1.6.1 Life Insurance

Life Insurance is sold by a company. Then the company remains legally entitled to make payment to the beneficiary after the death of the policyholder.

1.6.2 Insurance Policy

Insurance Policy is a well defined contract document which clearly describes the terms and conditions, applicable premium specifications of the extent of coverage and the heads on which the deductions will be made. It is completely a legal paperwork in which all possible details are mentioned.
1.6.3 Insurance Premium

Insurance Premium is the payment made by the policy holder to the insurance company on a regular time span. This payment has to be made by the insured person till the maturity of the insurance.

1.6.4 Group Insurance

Group insurance is an insurance that covers a group of people, usually who are the members of societies, employees of a common employer, or professionals in a common group.

1.6.5 Whole Life Insurance

Whole Life Insurance, or Whole of Life Assurance, is a life insurance policy that remains in force for the insured's whole life and requires premiums to be paid every year into the policy.

1.6.6 Superannuation

A type of retirement plan set up by a company for the benefit of its employees. These types of plans use funds deposited by the company or by the employee (defined contribution plan), with the funds growing in value until the employee retires. Also called pension plan.

1.6.7 Policyholder

Owner of an insurance policy.
1.6.8 Composite Broker

Composite broker means an insurance broker who for the time-being is licensed by the Authority to act as such, for remuneration and arranges insurance for his clients with insurance companies and/or reinsurance for his client/s.

1.6.9 Insurance Broker

Insurance “broker” means a person for the time-being licensed by the Authority under regulation, who for remuneration arranges insurance contracts with insurance companies and/or reinsurance companies on behalf of his clients.

1.6.10 Life insurance Marketing

Life Insurance Marketing is one of the most strenuous jobs for those who are involved in the insurance marketing.

1.6.11 Insurance Rates

Insurance rates refer to the percentage relationship between an insurance coverage a person buys and the premium s/he has to pay. Keeping the coverage amount and period constant, it is the insurance rate that directly impacts the premium.

1.6.12 Medical Insurance

This is also known as medi-claim. Here, the policy holder is entitled to receive the amount spent for his health purposes from the insurance company.
1.6.13 General Insurance

This insurance type involves insuring the risks associated with the general life such as automobiles, business related, and natural incidents, commercial and residential properties.

1.6.14 Online Insurance

Online Insurance has almost revolutionized the insurance market by making the whole process of selection, comparing and buying of insurances hassle-free and fast with the help of the internet.

1.6.15 Surrender Value

The cash value of an insurance contract, also called the cash surrender value or surrender value, is the cash amount offered to the policy owner by the issuing life carrier upon cancellation of the contract.

1.6.16 Actuary

An actuary is a business professional who deals with the financial impact of risk and uncertainty. Actuaries have a deep understanding of financial security systems, with a focus on their complexity, their mathematics, and their mechanisms.

1.6.17 Reinsurance

Reinsurance is a means by which an insurance company can protect itself with other insurance companies against the risk of losses. Reinsures, in turn, provide insurance to insurance companies.
1.7 METHODOLOGY

This study is an empirical research based on survey method. It is a blend of both descriptive and the analytical methods of study. An interview schedule was prepared separately for finding out the perception of the policyholders, and attitude of the agents towards the service rendered by LIC of India.

Another structured interview schedule was prepared to study the opinion of the development officers who are in the branch offices of LIC of India of Madurai Division. This was helpful to know the marketing strategy of the LIC of India.

The secondary data have been collected from books, journals newspapers and unpublished M.Phil. and Ph.D., theses on the subject.

1.8 CONSTRUCTION OF TOOLS

A pilot study was undergone by the researcher in order to identify the research problem and tools. Based on this, the researcher has decided to use three structured interview schedules.

With a view to identify the variable for constructions of the interview schedules, the researcher obtained an in-depth review of previous studies. Moreover, discussions were held with the policyholders, agents, and development officers of LIC of India, Madurai Division. In the light of the information gathered, three interview schedules were constructed for this study to collect data
from the policyholders, agents and development officers of LIC of India about their services.

This was done to assess and test the validity in the context of the LIC of India of Madurai division. In this way, the interview schedule was tested. The comments and suggestions offered by the policyholders, agents, and development officers were duly incorporated in the interview schedule. Thus the interview schedule was finalized.

1.9 PRE TEST AND RELIABILITY TEST

The pre test was done to collect the primary data before the field work. The pilot study was conducted among 300 policyholders, 200 Agents, and 200 development officers with a time interval of 6 months by using random sample technique. The pre test brought to light a few changes and the changes were incorporated. The need for information about the respondents was felt and hence included in the final questionnaire. The Corn Bach’s Alpha test was administered to the sample to find out reliability of the questionnaire. The responses were scored and these sets of scores of each test were treated through correlation for working out the reliability co-efficient. The reliability is statistically significant. Those are furnished in the following Table 1.1.
TABLE 1.1
The Reliability of Questionnaires

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Type of Questionnaire</th>
<th>Number of items</th>
<th>Number of Samples</th>
<th>Alpha Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Policyholders</td>
<td>91</td>
<td>50</td>
<td>0.8572</td>
<td>85.72</td>
</tr>
<tr>
<td>2</td>
<td>Agents</td>
<td>152</td>
<td>50</td>
<td>0.8651</td>
<td>86.51</td>
</tr>
<tr>
<td>3</td>
<td>Development officers</td>
<td>104</td>
<td>50</td>
<td>0.7219</td>
<td>72.19</td>
</tr>
</tbody>
</table>

1.10 SAMPLE DESIGN

As per the instructions given by IRDA, the LIC of India opened branches in rural and semi urban and urban areas. The LIC of India Madurai Division is located in six districts. There are about 25 branches in this division.

The researcher has selected all these branches under census method for this study. There are about 200 agents and 200 development officers and 300 policyholders selected at random in order to obtain their opinion of the service offered by LIC of India. That is, 12 policyholders, 8 agents and 8 developments from each branch were selected.

1.11 FIELD WORK

The field survey, for this study, was conducted by the researcher himself. As each interview schedule required nearly one hour for securing information, prior appointment was fixed with the branch manager. Most of the LIC of India branches in Madurai Division have working hours between 10.a.m and 4.p.m. So
the researcher contacted them after the working hours. On the dates fixed, in the first instance, the development officers were interviewed and then the agents were interviewed.

For collecting data from the policyholders of this branch, the researcher was permitted by the branch managers to interview them on the branch floor. As there were 25 branches in the sampling area it took 6 months for the researcher to complete the survey of the policyholders of the LIC of India as well as the agents and development officers from July 2008 to December 2008.

1.12 DATA PROCESSING

After completing the data collection, a thorough check was made. The whole interview schedule was processed for coding the data in a computer. Then, the cross tables were prepared by using experts and appropriate tools were framed to get good results.

1.13 HYPOTHESES OF THE STUDY

To give specific focus to the objectives, a few hypotheses have been drawn up and tested by using appropriate statistical tools.

1. There is no significant difference between the response of the policyholders in the awareness of the products.
2. There is no significant difference between the branch visited by the policyholders and the services rendered by the LIC of India.

3. There is no significant difference in mean ranks of after sales service provided by agents.

4. There is no significant difference between the gender and the opinion about the training undergone by the agents.

5. There is no significant difference in mean ranks of the opinion of the agents towards the policies of the LIC of India.

6. There is no significant difference between the club membership of the agents and their level of satisfaction of physical facilities.

7. There is no significant association between the democratic profile of the agents and level of satisfaction about the service rendered by the LIC of India.

8. There is no significant difference between socio-economic factors of the agents and guidelines given by officials.

9. There is no significant difference between the co-operation of the superiors and the present place of work.

10. There is no significant difference between the gender of the respondents and physical facilities provided by the LIC of India.
1.14 FRAMEWORK OF ANALYSIS

In order to analyse the perception of the policyholders, techniques namely Percentage Analysis, Garret Ranking, Kendall’s Co-efficients of Concordance Test, Sign Test, and Factor Analysis, Friedman Test, Mann-Whitney Test were used.

The opinion about the agents was analysed by using appropriate statistical tools like, Percentage Analysis, Garrets Ranking, Friedman Test, Spearman’s Rank Correlation Co-efficient, Discriminant Analysis, ANOVA, Sign Test, Multiple Regression Analysis, Wilcoxon Test, Mann-Whitney Test, Kruskal Wallis Test, Kendall’s Tau Test.

The opinion about the development officers was analysed by using appropriate statistical tools like, Percentage Analysis, Garrets Ranking, Factor Analysis, Kolmogorov Smirnov Test, ANOVA, Sign Test, Kruskal Wallis Test, Kendall’s W’ Test.

1.15 SCHEME OF REPORT

The thesis has been divided into seven chapters. The first chapter presents the design of the study. It consists of introduction, statement of the problem, review of literature, objectives of the study, scope of the study, limitations of the study, hypothesis, operational definition of concepts, methodology, sampling
design, construction of tools, field work, data processing, framework of analysis and arrangement of chapters.

The second chapter elucidates the evolution of the life insurance corporation of India, the objectives of LIC of India, organisation structure of the LIC of India, profile of LIC of India in Madurai Division.

The third chapter discusses, insurance marketing, marketing strategy of life insurance, elements of marketing mix, kinds of promotional activities of the LIC of India, internal customers, policyholders, service strategies marketing strategies and approaches of physical evidence.

The fourth chapter mentions the age of the policyholders, gender of the policyholders, occupations, educational qualifications duration of years dealing with LIC of India way of buying the policies mode of payment of premium opinion on services rendered and facilities provided by LIC of India, awareness on innovative services introduced by LIC of India, reasons for holding policies of private insurance companies, measurement of policyholders satisfaction of after sales services provided by LIC of India agents, policyholders opinion towards the settlement of claims and the grievances of policyholders.

The fifth chapter elucidates the age, gender, educational qualification, and the number of years of services of the agents and membership status. The factors about the responses relating to the opinion about the training undergone by the agents, the effectiveness of advertisement, and the opinion about the policies, physical facilities provided by LIC, and the services rendered by LIC, opinion
towards the higher officials guidelines, opinion about agency measurement of job satisfaction, complaints and grievances faced by agents.

The Sixth chapter elucidates the age, educational qualification, year of experience previous experience in insurance field and other field, aware of LIC of India, experience in regional office, way of approaching the agent, usefulness of meeting of agents, opinion towards the media of advertisement, opinion towards the effectiveness of advertisement in marketing of life insurance products, number of agents working under the development officers, opinion about the co-operation of superiors in marketing the products, number of policies taken by the development officers, measurement of the services rendered by LIC of India, opinion about the physical facilities provided by LIC of India and the grievance faced by development officers while rendering services to policyholders.

The findings and suggestion of the study are presented in the seventh chapter.
REFERENCES

1. www.insurancejournal.com


3. www.insurance networking.com


CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1 Introduction
1.2 Statement of the Problem
1.3 Objectives of the Study
1.4 Significant of the Study
1.5 Limitation of the Study
1.6 Operational Definition of Concept
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