SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

7.1 Summary of Findings

In this chapter an attempt is made to present the summary of findings emerged from the study on “MARKETING STRATEGY OF LIFE INSURANCE CORPORATION OF INDIA IN THE CONTEXT OF LIBERALISATION OF INSURANCE SECTOR (A STUDY WITH SPECIAL REFERENCE TO SILCHAR DIVISION)”. It also attempts to suggest certain measures to improve the marketing performance of LICI services.

In order to maintain sequence, chapter wise findings are presented. Suggestions are given at the relevant places. As the first chapter is introductory in nature, the findings are presented from chapter – II onwards.

Profile of LICI

In this chapter, an attempt is made to present the profile of LICI at various levels including the profile of LICI Silchar Division and the selected branches. The conclusions of the chapter are presented below:

1. The examination of organization structure of LICI reveals that the LICI activities in the country have been spreaded over 8 Zonal offices and 105 Divisional offices and 2048 Branch offices throughout the country. While Central office confines itself mainly for giving broad policy directions and coordinating the activities of various Divisions, the Zonal, the Divisional and the Branch offices are involved in the implementation of LICI policies.

2. It is observed that though Marketing Departments are existing at every level,
all marketing functions are not entrusted to the Marketing Department. For example, the Actuarial Department is entrusted with the task of designing the LICI plans and fixing the premium rates. These activities are mostly related to marketing. However, it is observed that there is coordination between marketing and actuarial departments while making the decisions in their concerned areas.

3. An examination of marketing functions in LICI revealed that the functions like market planning, marketing research, advertising are mainly dealt at Central office level. The Branch office is mainly responsible with the task of raising the business through personal selling. Market surveys are not undertaken at the Branch office level to generate the feedback to review LICI business.

4. When the premium is not paid within the days of grace, the policy lapses. This aspect of the performance of LICI has also been studied. Net lapses are equal to lapses less revivals. For this, the percentage of net lapses to mean life insurance business in force has been calculated for the period of the study. Mean of last five years was taken. The percentage of net lapses to mean business in force from the period 1993 to 2003 reveals that in 1993-94, the percentage was 6.3 which decreased to 5.5 in 2002-03, thus indicating small improvement in the performance regarding the lapsation of policies.

5. Life Insurance Fund is used by the LICI for making investments and for providing loans. To analyze the performance of LICI, the evaluation of Life Insurance Fund is important. Analysis reveals that the amount of the Funds increased from Rs. 11 thousand crores to Rs. 367 thousand crores from 1986-87 to 2005-06. The percentage growth in the Life Insurance Fund has been constant throughout between 20 to 22 percent over the previous year.

6. Two major indicators of performance were identified as premium income and
life insurance fund. The analysis showed that number of policies, number of active agents and the sum assured significantly affected the premium income. Similarly in case of life insurance fund, total investment made, number of active agents and sum assured were identified as significant determinants. Therefore, to improve its performance further, LICI has to concentrate on these variables.

7. The patterns of loans granted by LICI reveal that the loans are granted not only for the policyholders but also for the agencies like State Governments, Electricity Boards and Companies.

8. The total investment of funds is made in mainly three sectors of the economy. These sectors are: Private Sector, Public Sector and Co-operative Sector. Among the three sectors, major investments have been made in the public sector by the LICI, and then come the private sector and the least share in the cooperative sector.

9. Analysis reveals that the total amount of loan advanced for various developmental activities showed increasing trend during 1993-94 to 1998-99. Considering the percentage share of each development activity to total loan amount, housing held the major share of the loans advanced throughout during 1993-94 to 2005-06. The second major share went to electricity, followed by industrial development and water supply and sewerage. The least share was that of transport during 1993-2000. There has been a drastic change in the percentage share of amount of loan advancement to various activities from 2000 onwards.

10. The analysis reveals that during 1993-94 to 2007-08, there has been more than 50 percent investment of the Corporation investment in government securities or other approved investments. According to IRDA guidelines, the investment in infrastructure and social sector should not be less than 15 percent of total investments. It has been found that LICI has failed on this
front. Not more than 15 percent of the controlled funds are to be invested in other than approved investment. The investments of the Corporation in this category have been less than 15 percent throughout the study period. Thus, there is a need to invest more controlled funds in infrastructure and social sector as it leads to the growth of economy and generation of employment.

**Product and Pricing Decisions**

An attempt is made here to examine the issues involved in product and pricing decisions of LICI. The findings derived from the study are presented below:

1. The total number of branches in 1993-94 was 2008 and in 2007-08, the number increased to 2048. The average business done by the branches during different years showed a steady growth. In 1993-94, new business per branch was Rs. 20.82 crore whereas in 2007-08, it increased to Rs. 101.68 crore. The major downfall in the productivity of the branches occurred in the year 2002-03 and 2004-05, when all the private insurers started functioning in the insurance industry and gave tough competition to the giant LICI. The compound growth rate of new business per branch for the period of the study was 16.75 percent which is highly significant at 0.1 percent level. Thus, by comparing the new business of every branch in that year, LICI can take strategic decisions as to which branches need to be paid more attention.

2. The performance of the agents can be judged by three parameters namely, a) Productivity of the agents, b) Average business done by each agent, c) Collection of premium.

The analysis reveals of productivity of the agents that from 1993-94 to 2007-08, the average business done by each agent increased from Rs. 7.97 lakhs to Rs. 18.95 lakhs. The overall growth rate of average business per
agent was 10.69 percent, which is observed to be highly significant at 0.1 percent level.

The results also show that the number of policies per agent increased steadily from 20 policies in 1993-94 to 30 policies in 2001-02, but after this the productivity kept on declining and reached to 28 policies per agent in 2007-08. The overall compound growth rate was 2.44 percent which is observed to be significant at 1 percent level.

Moreover, the analysis shows that the performance of the agents has been improving every year, especially from 1993-94 to the year 2001-02. But after this year, it kept on decreasing in the subsequent years. The overall growth rate of premium income per agent has been 14.41 percent which was significant at 0.1 percent level.

3. The performance of the branches can be judged by four parameters namely, a) Number of policies sold, b) Premium received by the branches, c) Expenses of management, d) Number of complaints received.

The analysis reveals that the performance of various branches during the study period was on a progressive path. In 1993-94, the number of policies per branch was 5348 that increased to 15,068 in 2007-08. The compound growth rate of number of policies per branch over the study period was 9.55 percent that is significant at 0.1 percent level.

In 1993-94, the premium income per branch was Rs. 1.24 crore which increased to Rs. 9.24 crore in 2007-08. The huge increase in the productivity of branches happened in the year 2001-02. The compound growth rate of premium income per branch for the entire study period was 22 percent which was significant at 0.1 percent level.
The percentages of commission to agents to premium income have been quite consistent as it has been around 9 percent during the entire period of the study. The share of salary and other benefits of employees to premium income kept on decreasing year after year from 9.15 percent (1993-94) to 5.26 percent (2007-08). The percentage of other expenses of management to premium income has also been constant between 2 to 3 percent during the study period. The overall expense ratio of the management expenses in 1993-94 was 21.83 percent and in 2007-08 it decreased to 19.03 percent. The compound growth of total expenses ratio was -2.29 percent which was significant at 0.1 percent level. The decrease in the overall expenses ratio reflects increase in the margins of LICI.

The number of complaints received in 1993-94 was 13,730, which increased to 19,466 in 2007-08; complaints per thousand was 0.23 and in 2003-04 it decreased to 0.10. The compound growth rate was -6.27 percent which was significant at 0.1 percent level.

4. The share of total claims outstanding to claims payable during the study period was 3.05 percent in number and 4.86 percent in amount in 1993-94; and in 2007-08, the share was 1.35 percent in number and 4.38 percent in amount. The fall in percentage shows the promptness and efficiency of the claims settlement operations of LICI. The compound growth rate was -13.49 percent for the period and was significant at 1 percent level.

5. In an examination of product lines offered by LICI since its nationalization (1956), it is found that LICI was offering 17 Plans in 1956. Subsequently 90 old plans have been withdrawn at different points of time due to declining sales, technical deficiencies and lack of adaptability to the changing needs. At the same time, more than 100 new plans have been introduced to suit the changing requirements of different consumer segments.
6. The analysis of product mix of LIC revealed that there are 19 product categories, namely, Whole life policies, Endowment policies, Children policies Medical Insurance, Money Back Plans, Unit Plans, Pension policies etc. in the product mix. The average length of product lines is found to be 8. Among the nineteen categories, the Endowment Policies category has large number of plans. Altogether, the size of product mix in LIC at present is 48.

7. The life span of LIC plans withdrawn at different points of time revealed that it ranged between 2 to 31 years. In case of Multipurpose policy (with profit), the plan was withdrawn in the same year of introduction. In case of some products, the life span was below 5 years.

8. With regard to the procedure followed for designing new plans in LIC it is found that systematic and elaborate efforts are not put to generate new product ideas and to examine them thoroughly from various angles before deciding the features of the plans. (Reddy, 1998)

9. The discussions with the branch managers and field personnel revealed that serious attempts are not made by LIC to design the policies to suit the requirements of rural people, lower income groups, though there is vast market potential for these segments.

10. The product performance analysis in terms of single year revealed that in case of some plans with profit and without profit, no sales are reported. In case of some plan with profit and without profit negligible sales are reported. Thus, many products with marginal performance are still continuing in the product mix.

11. The discussions with field force and LIC officials revealed the following reasons for poor performance of certain plans.
- At branch level, no attention is paid to fulfill the target for each individual plan. The emphasis is laid on attaining the overall business targets only.
- The agents are not interested in selling all the plans. They have more inclination to sell those plans which will fetch them attractive commission.
- The schemes designed for some segments do not exactly suit the requirements of those customers.

12. The opinions of policyholders regarding the motives in selection of LICI plans revealed that the risk coverage is the most important motive in selecting the policy. The other important motives are savings, loan facility, service of the agent, old age protection, tax relief, daughter's marriage, children's education etc. However, there are certain variations in the priority of the motives among different customer segments.

13. Regarding the suitability of policies to the needs of the customers, 16 percent felt that the policies were wrongly chosen. The reasons for the dissatisfaction of policyholders are:
(a) The assured amount of their selected policies is not adequate enough to meet the requirements.
(b) Agents are not advising suitable policies.
(c) Mode of payment of premium is not chosen properly.
(d) Loan facility to suit the requirements of agriculturists is not available.

14. The analysis of agents' responses reveals that low returns on LICI policies and lack of plans designed for rural, agricultural and lower income groups. These are the main reasons for the dissatisfaction of policyholders about LICI plans.

15. 73 percent of the agents felt that single premium policies are appropriate to the needs of some policyholders.
16. Regarding the pricing decisions, it is found that mortality, rate of interest, service and selling expenses are the important factors taken as the basis for determining premium rates. The Actuarial Department at Central office collects data on these aspects and decides the premium rates for each plan.

17. Regarding the fairness of premium rates, 61 percent of the policyholders felt that the premium rates are reasonable. However, considerable numbers of respondents are not satisfied with the present premium rates. The reasons for their dissatisfaction are:
   - There is no revision in premium rates since last few years, though the life expectations have significantly improved during this period.
   - The premium rates of other similar organizations like Postal Life Insurance are lower than the rates fixed by LICI.

18. Regarding appropriateness of policies offered it may be observed that a great majority of policyholders (84%) in all categories are satisfied with the policies chosen by them.

19. In case of post purchase feelings of policies it may be observed from the table that a great majority of the policyholders (84%) are satisfied after taking LICI policy. It is found a high level of satisfaction exists among professional and managerial and regular income groups.

20. Regarding the inclusion of the provisions of medical benefits in the policies, almost all the respondents (98%) strongly favoured introduction of this provision in LICI policies. All the customer groups express this opinion. With regard to the coverage of risk to the entire family by one policy, a great majority of the policyholders (89%) are in favour of introduction of this facility.

21. In case of appropriateness of single premium policies it is observed that majority (74%) of the agents are favourable to the introduction of it.
22. Regarding the penalties charged for late payments of premiums, about 70 percent of the respondents expressed that the penalty charged is high, (25%) felt that the penalty is fair and remaining respondents (5%) expressed no idea about the fairness of penalty for late payment.

**Customer Service**

This chapter examines the issues relating to customer relationship, place, physical evidence and people in the context of marketing of LICI services. The conclusions emerged from the study are presented below:

1. On measuring the accessibility of agents by the policyholders on 5 point scale it is found that urban, literate, illiterate, professional and managerial group, regular income group and self employed groups felt that agents are accessible sometimes whereas the rural and agricultural groups felt that agents are rarely available to them. Moreover, 87% of policyholders' expressed that during the post purchase period of policy, agents do not meet them frequently.

2. To remind about premium due dates by the agent a majority (68%) of the sample policyholders expressed that they are not reminded by the agent to pay premium before the due date.

3. 10% of the agents indicated that the branch location is not convenient to them. Most of these agents include rural agents.

4. 87% of the policyholders expressed that they are receiving premium demand notices regularly.

5. The attributes less waiting time, personal interest, quick service, accurate service and prompt action on complaints are perceived to be the first five
important service attributes in order of preference and the attributes – bonus, advertising, public relations range of services offered and rate of premium are perceived to be less important service attributes.

6. Regarding agents’ performance rating it is seen that the policyholders are satisfied about the performance of agents regarding Knowledge about LICI, attitude towards policyholders, concern about the welfare of the policyholders, availability to policyholders, prompt service, way of presentation, advice etc.

7. The analysis of trends in geographical expansion of life insurance activities revealed that during 1957 – 2007 period, the number of divisional offices are trebled and the branch offices increased by 7 times. It indicates steady expansion of LICI branches. It is also observed that after 1982, the branches are expanding at a faster rate. However since liberalization of insurance sector branch expansion is not satisfactory.

8. The composition of branch network of Silchar Division (2008) reveals that of the total 14 branches under this division, all of them are urban branches.

9. It is found that the highest numbers of branches are established in South Assam (5) followed by same number of branches (4) each in the state of Manipur and Tripura and one branch in the state of Mizoram under this Division.

10. The analysis of policyholders’ responses regarding Branch location revealed that majority policyholders (60%) felt that Branch location is convenient for them.

11. An enquiry from agents and officials about the physical facilities provided at the selected Branches revealed that the premises of LICI Branch offices of
Silchar and Dharmanagar Branch are not spacious enough to accommodate the visiting policyholders and their vehicles, particularly during the peak period.

12. The seating arrangements in the selected Branch offices are not found to be adequate to accommodate the heavy rush in the year ending months. However, the facilities like ventilation, illumination, drinking water, toilet etc. are satisfactory.

13. The employee attribute analysis made to rate the behaviour of employees from policyholders point of view revealed that the behaviour to be positive. However, there is a vast scope for improving the behaviour of employees to serve the policyholders more effectively. The same analysis about the agents' behaviour also revealed that the agents generally behave well with the policyholders. But in many cases, their behaviour is to be improved to serve policyholders more effectively.

14. Regarding grievance settlement of customers, it is found that majority of the policyholders are satisfied with the way in which the grievances are settled by LICI employees.

**Promotion Decisions**

In this chapter, an attempt is made to discuss the issues relating to promotion of LICI services, which includes mainly personal selling, advertising and the issues relating to process in case of LICI. It also makes an evaluation of services of LICI from the viewpoint of policyholders. The conclusions emerged from the study are presented below:

1. In LICI, promotion mix mainly includes personal selling. The advertising plays a supportive role to personal selling in promoting LICI services.
2. The field sales force of LICI mainly consists of Development Officers and the Agents. The Development Officers are concerned with the development of LICI business by planning and coordinating the work of the agents. The agent performs an important duty of selling LICI policies and serving the policyholders. At present the LICI has a strong sales force with 21,000 Development Officers and 13.4 lakhs active agents.

3. Normally, the agent receives motivation and guidance from Development Officer. But for Career Agents, training is given for a period of 3 years at Career Agents Branch. During the training period itself, the candidates are involved in doing business under the supervision of Branch office.

4. The main form of sales control on agents is sales quota in the form of minimum business to be secured and minimum number of lives to be covered in a year. However, the sales quota is only arbitrary and non-fulfillment of the quota is not taken very seriously by LICI.

5. The survey made on policyholders revealed that on an average the agent makes about 3 calls on the policyholders before taking the policy. In important cases the Development Officer will also accompany the agents.

6. The analysis of policyholders’ motives in selecting the agent revealed that the relationship/friendship, advice, prompt service the pressure of agent are perceived to be the important motives in order of preference for choosing them.

7. Regarding the indispensability of agent services, 78 percent of the policyholders felt that the agent services are inevitable for promoting LICI business. However, 22 percent felt that the agents are not indispensable in view of the poor servicing and also increased awareness about life insurance.
8. The performance rating of agents by policyholders revealed that the services of agents are rated to be high before and at the time of offering the policy. But in the post purchase period, the performance is rated to be poor.

9. Regarding the agents’ problems from policyholders, it is found that a great majority (90%) of the agents are not facing any serious problems from the policyholders. However, some minor problems include – delay in payment of premium, demanding rebates, delay in submitting required documents etc.

10. 79% of the respondents reveal that the quality of LIC services is good.

11. LIC uses news papers, Television, Radio, Hoardings, Brochures, Bulletins, Moral advertisements, Wall posters, Transit media etc., for advertising LIC services and makes publicity through field publicity vans, film shows, participation in village fairs, cattle shows, lectures etc.

12. The analysis of policyholders’ sources of information about LIC revealed that the agent is the main source of information, while sales promotion programmes and advertisements are perceived as other important sources in order of preference.

13. Regarding the media exposure, it is found that a major section of the policyholders (32%) are exposed to T.V. media, while newspapers, posters and banners, documentaries etc., are perceived to be other important media to which the policyholders are exposed.

14. Regarding the effectiveness of LIC advertisements about 31 percent policyholders felt that the advertisements are merely informative. Only 9% of the respondents expressed that advertisements are wasteful.
15. The agents’ responses about the theme, layout and language of advertisements copies of LIC revealed that 53 percent of agents treat these aspects as attractive, while others treat it as not so attractive.

16. A majority of the agents (60%) expressed that the advertisements of LIC are supporting their selling activities to some extent.

17. An examination of the opinions of Branch managers revealed that majority (80%) do not consider the advertisements of LIC as reaching the target market successfully. The reasons are mentioned as below:
   a) Existing infrastructure for advertising is not used properly.
   b) Emphasis is not given for more captive advertisements in regional languages.
   c) Rural specific media is not chosen for promoting LIC activities in rural areas.
   d) LIC is not using mass media effectively.

18. In LIC, it is found that the agent fulfills all the formalities and procedures before issue of the policy. But, the services after taking the policy are to be provided by different sections at the Branch level.

19. Regarding the time gap between the date of first premium and the date of the receipt of policy document, it is taken to issue the policy from the date of first premium payment. However, in few cases (12%), the delay has been reported to the extent of 5 to 6 months.

20. Regarding the receipt of premium notices, it is found that 87 percent of the policyholders are regularly receiving premium demand notices. Only 13 percent respondents complained about not receiving premium notices regularly. This is mainly on account of change in the address of policyholders or the procedural lapse at the Branch office.
21. Regarding the sending of status position to the policyholders, it is found that a great majority of the policyholders (85%) are receiving status position regularly.

22. With regard to revival of policies, 18 percent of the respondents felt that they are facing problems due to complicated office procedure in reviving the policy. The other problems include - payment of premium due date at a time, high rate of interest charged on lapsed policies and medical examination.

23. Regarding the loan servicing procedure, 80 to 85 percent of respondents among all customer segments expressed satisfaction.

24. Regarding the role of agent in securing the loans, it is found that the policyholders are satisfied with the role of agent in getting policy loans. But in respect of house loans majority (60%) expressed that the agents are helping to a limited extent only.

25. Regarding the settlement of claims, majority respondents (84%) expressed that they are receiving discharge forms one or two months before the date of maturity and settlement is taking place without much delay. However, in few cases where the formalities are not fulfilled promptly, some delay is taking place.

26. Regarding the performance of LIC in respect of fulfilling the formalities in providing services, it is found that 16 out of 20 selected aspects, general satisfaction is indicated. Regarding experience of policyholders at premium counters, transfer of policies, and adjustment of premium in Salary Saving Scheme (SSS) and granting house loans, the policyholders indicate dissatisfaction. Highly rated service aspects include filling the forms, nomination, age admission, medical examination and other aspects.
27. The perceived level of importance indicated by the policyholders revealed that the attributes, namely, quick service, less waiting time, personal interest, accurate service and prompt action on complaints are first five important service attributes in LICI in order of performance.

28. The rank correlation between the ranks for the perceived level of importance and performance rating indicated positive relationship between these two. It indicates that from the viewpoint of policyholders, the important service attributes are properly taken care.

29. The rating of policyholders regarding future prospects of LICI indicated that there are good prospect for LICI in future in view of high market potential, monopolistic nature of LICI, increased awareness about coverage of like risk and improved servicing of LICI. However, some people felt that the prospects of LICI are not so good in view of the indirect competition from similar schemes, inadequate after sales service of the agent and threat of privatization of life insurance in India.

**Impact of liberalisation on the Performance of LICI**

After the formation of IRDA, private players started entering the life insurance industry in India. Every life insurance company, private as well as public, offers variety of products to the need and demand of the customers. Among all the players, LICI has the largest agency force of 13 lakhs agents followed by ICICI Prudential 0.46 lakhs agents, Allianz Bajaj 0.36 lakhs. The impact of privatization on the performance of LICI covers a period of 2001-02 to 2007-08 has been evaluated on the basis of the following parameters:

1. The premium income of all private players was Rs. 0.27 thousand crores in 2001-02 and increased to Rs.0.45 thousand crores in 2004-05 and Rs.13 thousand crores in 2007-08 showing healthy growth of premium. Where as
premium income of LICI was Rs. 20 thousand crores in 2001-02 and decreased to Rs. 16 thousand crores in 2002-03. However, in 2004-05, it increased to Rs. 20 thousand crores and further moves to 21 thousand crores in 2007-08.

2. The results show that market share of LICI has been declining regularly with the entry of private players. The market share in terms of total premium of LICI has decreased from 98.63 percent in 2001-02 to 78.07 percent in 2004-05 and 74.12 percent in 2007-08. This indicates that the private players are doing quite well and thus affecting the performance of LICI.

3. In case of number of policies, results show that in 2002-03, the new business in terms of number of policies of LICI was only 245 thousand crores and in 2004-05 and again increased to 309 thousand crores in 2007-08, it decreased to 240 thousand crores. Whereas in case of private players, the number of policies increased from 8 thousand crores in 2002-03 to 22 thousand crores in 2004-05 and 42 thousand crores in 2007-08. This indicates that with every successive year, private players are gaining the trust of the public and have been quite successful in snatching the business away from LICI.

4. The market share in terms of number of policies of all the private players has risen from 3.29 percent in 2002-03 to 8.50 percent in 2004-05 and 11.03 percent in 2007-08. Contrary to this the market share of LICI has been decreasing year by year. The market share of LICI was 96.71 percent in 2002-03, which decreased to 91.50 percent in 2004-05 and 88.97 percent in 2007-08.

5. In case of growth rates of premium as well as number of policies the results show that individually, each and every private company has shown a large growth of total premium in one year over the other. Metlife Insurance
Company showed the highest growth rate (1504.5 percent) in total premium income in 2002-03, AMP Sanmar had the highest growth rate of 2177 percent in 2003-04 and Allianz Bajaj had the highest growth of premium (378.57 percent) in 2004-05. The growth of LICI was -18.44 percent in 2002-03 that increased to 1.92 percent in 2004-05 and 2.08 percent in 2007-08 whereas the total growth of all the private insurers in 2002-03 was 251.50 percent but decreased to 153 percent in 2003-04. However, in 2004-05, it again increased to 224.98 percent that is a healthy growth rate again fell to 132 percent in 2007-08.

6. In terms of number of policies, private players recorded a growth of 98.27 percent in 2003-04 and 127 percent in 2007-08, whereas LICI recorded a growth of 9.9 percent in 2003-04 and a negative growth of (-) 10.90 percent in 2004-05 and again increased to 10.12 percent in 2007-08. SBI Life recorded the highest growth of 395.95 percent in 2003-04 and Met Life showed the highest growth of 85.81 percent in terms of number of policies in 2004-05.

The insurance industry has been growing between 15 to 20 percent, but it legs far behind its global counterparts. Thus the responses from the respondents about the general problem of insurance industry are as follows:

a. Insurance companies create products and out to finds customers. They do not create products that the market wants.

b. Insurance awareness among the general public is low.

c. Term insurance plan are not promoted.

d. Unit-linked assurance is not available.

e. Insurance covers are expensive. Inefficient management and low investment yield are responsible for high premium charged by Indian insurance companies.

f. Returns from insurance products are low.

g. There is a dearth of innovative and buyer-friendly insurance products.
h. Most agents and development officers are interested only in producing new business; servicing existing customers satisfactorily has not been a priority for them. The obvious reason to this is that incentives are based on new business generation and not on satisfactory serving of existing customers. It is surprising to note that more than 10% of LIC policies are surrendered or get lapsed every year.

i. There is no market research and Computerisation is woefully inadequate.

7.2 Suggestions

On the basis of survey results and personal observations, the following suggestions are made to improve the marketing of LIC services.

1. In order to develop marketing approach in LIC, the marketing functions should be given more emphasis in the organization structure of LIC at different levels. As a part of integrated marketing, all marketing related functions may be brought under the preview of the marketing department. It is also necessary that the functions like marketing research should be given more importance at Divisional and Branch levels to face challenges and competition in the context of privatization and to improve the quality of its servicing to the policyholders.

2. Regarding the product development, LIC should take proper care to assess the needs of the customer segments and design the features of plans to suit the needs of different segments. The policies should not be introduced hastily. Product development should be based on excessive surveys conducted in the market. In order to minimize the poor performance of the plans existing in the present product mix of LIC, the product wise targets should be laid down and marketing efforts are to be improved for the sales performance of each product. LIC needs selection of right type of distribution channel mix along with prudent and efficient Fleet on Street (FOS) management.
3. Attempts should be made to design suitable plans for rural and semi-urban population and lower income groups to increase the customer-base. For the benefit of the rural customers, LICI may arrange for cash payment of policy loans rather than issuing crossed cheques. This will help the customers to avoid problems in encashing the crossed cheques.

4. All the agents play an important role in selling entire product mix; their performance should be evaluated in terms of fulfillment of product wise targets. Further, the Branch office and agents also may promote the low cost plans in rural areas to cover rural market potential. The agents’ services to policyholders in the post purchase period need improvement. It will help to develop the accessibility of agents to the policyholders throughout the period of continuation of policy. He should help the policyholders in meeting the procedures for obtaining the loans or settlement of the claims.

5. LICI may include hospital benefits and coverage of risk to the entire family as benefits are expected by most of the policyholders. Moreover promoting health insurance and using e-broking may help to increase the business.

6. LICI may examine the possibility of offering the policies to the customers directly without the agent, if some customers prefer it. The benefit of saving the commission expenditure may be passed on to the features in case of some Plans on the policyholders to some extent.

7. Emphasis should be given to popularize Single Premium Policies, already introduced by LICI for the benefit of agriculturists, business people and other categories that do not receive incomes regularly. This will also help to reduce lapsation problem.
8. Regarding the premium rates, it is suggested that premium rates should be revised whenever such changes are warranted. The long gap in revision of premium rates should be reduced.

9. In view of the low premium rates existing for similar policies in Postal Life Insurance and also in foreign countries, attempts should be made to reduce the rate of premiums on different policies. This may help to pick up the sales of LICI plans among lower income groups also.

10. Regarding Branch expansion, LICI should establish more branches in rural areas in view of the high market potential existing among rural population. It helps in enabling LICI services closer to rural masses.

11. LICI should evolve a policy of standard layout plans for Branch offices of different categories. The layout must take care for providing spacious premises, adequate space to from the queues, adequate seating arrangement and other formalities to make the customers comfortable and happy during his visit to the Branch office. Proper care should be taken in respect of interior decoration also.

12. LICI may alert the policyholders through e-mail and SMS that has already been started by private insurers. In order to reduce the waiting time for the policyholders at the cash counters during peak business months, additional counters may be opened temporarily.

13. An enquiry counter should be opened at every Branch office to guide the visiting policyholders to the concerned sections. The people at the enquiry counter should take special care in guiding rural and illiterate policyholders.
14. As a part of developing people in LIC, proper training and orientation should be given to the employees to develop servicing attitude and consumer orientations among the employees. Apart from improving the skills of employees about the office procedures and technical aspects, the training programmes must aim at bringing behavioral aspects towards the development of commitment to LIC and its customers.

15. For imparting effective training, the faculty must be selected properly. It is desirable that the faculty should consist of some academicians and consultants apart from insiders.

16. As a part of improving sales force management of agents, the following measures are suggested:
   (a) The agents must be recruited on the basis of their aptitude, interest and commitment. Instead of entrusting the task of recruitment totally to the Development officers, it is desirable that the Branch office also should involve to some extent in recruiting and selecting the agent force.
   (b) While evaluating the performance of the agent, the targets must be set not for the overall business, but also for coverage of minimum business for every individual plan.
   (c) In order to spread the sale of policies evenly throughout the year, monthly or quarterly targets should be fixed for the agents instead of annual targets.
   (d) Closing monitoring and supervision should be made by Development officer on agents regarding policy servicing in the entire period of continuation of policy by the customer.

17. The business of senior agents should be de-linked with the Development Officers as they can perform their duties independently without the help of D.Os.
18. In order to reduce the rate of termination of agents, the termination of agency should be taken as a negative point in the performance appraisal of Development Officer beyond a certain limit.

19. In order to develop professional cadre of sales force, LICI may sponsor Diploma courses/ Degree programmes in life insurance for benefit of those who are interested in choosing life insurance as their career.

20. The Career Agents Scheme should be strengthened further to avoid some of the defects existing in the scheme. Attempt should be made to minimize the rate of termination of Career Agents.

21. The LICI officials should not encourage benami and casual agents. Strict measures must be taken to remove such agents whenever it comes to the notice of the Branch Manager. Besides, the present practice of giving rebate to policyholders by agents should be discouraged. Instead of offering rebate, the agents must attract the policyholders by better policy servicing.

22. The Branch manager should take proper care in the prompt settlement of commission to the agents, particularly in case of transferred policies.

23. With regard to advertising, Branch Managers also may be given some budget for giving advertisements through local media in order to develop awareness among the policyholders and to support personal selling activities. The theme of advertisements and the content of advertisement copy should be based on through market research. If necessary, advertisement message should be changed to suit the requirements of different areas and different segments of people. The advertisement copies should be changed from time to time to suit the changing socio-economic conditions of people.
24. In order to prompt LICI activities in rural areas, rural specific advertisements programmes should be designed. The advertising message should be appealing to the rural consumers and motivate them to take LICI policies.

25. In processing of LICI services, the use of computer should be extended to all branches and to all the functions. This will help to avoid the delays and clerical errors in calculations. He must suggest the policies to the customers after through enquiry of their needs and expectations. The policies must be suggested according to the needs of the customers rather than the needs of the agents.

26. Before registration of the policy, all the required documents should be collected from the policyholders. This will help to avoid the delays in settlement of claims for the want of certain documents.

27. The Branch office should intimate the status position of policy under SSS policyholders. This will help them to know whether deductions are properly made towards LICI premium. It will also help to know regarding adjustments.

28. As the performance rating to important service attributes is low, LICI should take proper care in improving the quality of service in respect of important service attributes.

29. To face challenges and competition in the context of privatization, LICI should take measures to implement marketing approach throughout the organization and improve the quality of its servicing to the policyholders.

30. Understanding the customer better will enable insurance companies to design appropriate products, determine price correctly and increase profitability. An efficient CRM system is required, which would eventually
create sustainable competitive advantages and build a long-lasting relationship.

7.3 Conclusion

To conclude I would like to say that the performance of LIC in terms of growth of new business, business in force in India, new business under group insurance and other performance measures can be termed as satisfactory. Significant improvement has taken place in the settlement of claims especially after the introduction of private players in the business. The analysis of productivity growth also reflected improvement in different dimensions. However, the market share of LIC has decreased after the entry of private players, which indicates that LIC has to change its strategies to meet the challenges. Even when LIC is better placed in terms of the confidence of the buyers but more emphasis has to be laid on marketing so that private players are not able to make a dent in its market and lure away the prospective buyers.