

# **Marketing of LIC Products of Chennai Division – A Study**

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## **ABSTRACT**

Insurance is a matter of facilitation. It is the most effective risk mitigation mechanism to reduce the vulnerability of the people to the impact of disease, disability, untimely death, and natural catastrophes. In a developing country like India the need for such a safety net is much greater, particularly at the low income levels where vulnerability to risk is much greater and social security programs are not effective due to poor governance. Insurance reforms are a prerequisite for reforms in social security, health care systems and financial markets. In developed economies insurance companies and pension funds are a major source of long-term capital and have dominant share (50 per cent or more) in total financial assets.<sup>1</sup> They provide funding for end-of-service indemnity, life insurance benefits, annuity and gratuity. They also increase the depth and liquidity in stock and bond markets, particularly in long-term bonds.

## **1. AREA OF THE STUDY**

The present study takes into account eight blocks; four each from Chennai district, coming under Life Insurance Corporation of Chennai Division, Tamil Nadu. This study covered only the policy holders who insured their life under Jeevan Madhur life micro insurance policy of LIC. The study has included in its scope to analyze the awareness and impact of life micro insurance of the respondents and attempted to study the preferences, constraints and factors facilitating intake of life micro insurance. The study sample is based on coverage, level of poverty and variety of life micro insurance products in operation and overall performance of delivery channels. Out of the different micro insurance delivery structures, partnership between insurers and the distribution agents such as Non Governmental Organizations are also selected as they were popular within the study area. The aspects of life micro insurance such as risks coping mechanisms adopted by the rural poor and aspects relating to claim settlement do not come under the purview of the study.

## **2. STATEMENT OF THE PROBLEM**

Customer Service is very important in the insurance industry. In the emerging business scenario customer satisfaction is assumed to be the prime service in as much as LIC has to face competition from new entrants. There is a greater need to adapt market friendly postures. Already, the LIC is adapting itself to keep pace with market forces. After the entry of new players in the Indian insurance sector, the customers expect better customer service especially in the areas of claim settlement and issuance of policies.

## **3. REVIEW OF LITERATURE**

- Azhagaiah and Varadharajan (2003) in their study, "Paradigm Shift in Insurance Business" recorded that out of one billion people in India only 35 million are covered

by insurance. 312 million middle class consumers in India have enough financial resources, but only 2.5 percent of the population has insurance coverage. India is the sixth largest market in the world. With the entry of private insurance players, people have a host of schemes to choose with distinguished features giving importance to the return on investment. LIC has been withdrawing many of its assured return plans, due to the factors like changing customer behavior, deregulation and government intervention, competition etc.

- Ajay K.Rajan and Mukesh Dhunna (2002) in their study, “Liberalization of Insurance Sector: Social Implications” analyze the social implications of the opening up of insurance sector to private players and try to find reasons as to why there was private entry after nationalization, what are the social issues realized so far and how the reforms proceeded as per the norms of the IRDA in cementing the reforms in the Indian insurance industry. The objectives for private entry based on competition are to enhance resource utilization, to effect reduction in premium cost, to mobilize funds domestically, to ensure better pay packages and to attract inflow of foreign capital. The study also reveals that most of the private players are concentrating their business only in urban areas leaving the vast rural untouched.

#### **4. OBJECTIVES OF THE STUDY**

- To study the features of various insurance products offered by the LIC.
- To examine the role of agents as facilitators in marketing the LIC products in the urban and rural areas.

#### **5. METHODOLOGY**

The study is descriptive in nature. The Survey method was adopted to achieve the objectives of the study. Both primary and secondary data have been used in the study.

**Data Collection:** Primary data were collected from insurance agents, policy holders and insurance officials in the study area, using structured, pre tested interview schedules, and adopting stratified sampling models. Secondary data were collected from a wide spectrum of sources such as related books, relevant magazines, published and unpublished sources and reports of the insurance companies in India. . Web sites of various insurance organizations were also of great use in the collection of secondary data.

**Data Collection Tools:** Two different structured interview schedules were administered in this study- one to elicit information from agents and the other to gather information from policy holders. The interview schedules were pre-tested with thirty respondents and based on the results obtained, they were slightly modified.

**Population of the Study:** The population of the study is a definite one. It constitutes the total number of LIC policy holders in the Thanjavur Division and the total number of agents engaged in insurance business in the study area.

**Sample of Policy Holders:** From the list of Branches and SO offices, 10 situated in the five delta districts were selected at random. Registers of Policy holders of these branch offices were used for selecting the sample policy holders. Nearly two-thirds of the population of the study area is living in rural areas. So, in the total of 500, 300 were selected from the rural areas and the remaining 200 from urban areas on a random basis adopting the convenience sampling technique.

**Sample of Insurance Agents:** In Thanjavur Division, there are 14,055 LIC agents. Among them nearly 45 per cent are dormant. Of the remaining only 40 per cent had been capable of achieving their targets. So, among the effective agents 250 were selected at random. There are

two types of agents – specific agents and general agents - according to the products of the companies they deal with. The specific agents deal with the products and services of the LIC only whereas general agents deal with the products and services of the LIC and other insurance companies. A survey was conducted among them to ascertain their present position and to identify their problems. For the purpose of the survey, 250 agents functioning in the study area were selected on the basis of the proportionate random method adopting convenience sampling technique. Among the 250, due attention was paid to include at least three-fifths from specific category and two-fifths from the general category.

**Analysis and Interpretation of Data:** The data thus collected were classified, tabulated, analyses and interpreted with the help of relevant statistical tools making use of Statistical Package for Social Sciences (SPSS). Simple per cent ages, ratios, averages and ranks were put to use in analysing the data. Charts, diagrams and graphs were also used in this study to simplify the data and to facilitate easy understanding.

**Hypotheses used in the Study:** Several hypotheses were framed in the course of completing the study for evaluating the marketing performance of the LIC Thanjavur Division. The hypotheses were tested with the help of suitable statistical tools like 't'- test, Chi-square test etc., and the inferences derived from the interpretations were accepted or rejected accordingly. The hypotheses used in the study are:

The specific and general agents differ significantly in respect of their age.

The specific and general agents differ significantly in respect of their educational qualification.

## 6. LIMITATIONS OF THE STUDY

Keeping in view the limitations of an individual researcher, the study has been confined to marketing of LIC products only. No comparison is made between LIC products and other insurance companies' products. Moreover, in order to make the study intensive and purposeful, it has been limited to LIC Chennai Division only. The results of the study cannot be generalized and applied to other areas of the state or the country due to demographical differences. Period of Study is limited to 5 years only.

Analysis of the study

## AGE WISE CLASSIFICATION OF AGENTS

The agent respondents in the sample belong to various age groups. Age is an important determinant by morale and efficiency. It has a bearing on innovativeness and initiative. The details of age of the respondents are given in Table .1

**AGE WISE CLASSIFICATION OF AGENTS**

| AGE          | SPECIFIC AGENTS | %          | GENERAL AGENTS | %          | TOTAL      | %          |
|--------------|-----------------|------------|----------------|------------|------------|------------|
| 25 – 35      | 21              | 14         | 40             | 40         | 61         | 24         |
| 35 – 45      | 45              | 30         | 27             | 27         | 72         | 29         |
| 45 – 55      | 57              | 38         | 21             | 21         | 78         | 31         |
| 55 and Above | 27              | 18         | 12             | 12         | 39         | 16         |
| <b>Total</b> | <b>150</b>      | <b>100</b> | <b>100</b>     | <b>100</b> | <b>250</b> | <b>100</b> |
| Mean         | 46.07           |            | 40.5           |            | 43.84      |            |
| SD           | 9.44            |            | 10.43          |            | 10.22      |            |
| CV           | 20.5            |            | 25.75          |            | 23.31      |            |

Source: Primary Data

**TABLE NO 1**

Table 1 shows the age-wise classification of sample agents. Specific agents deal with LIC products only. These agents are more in number in the age group of 45 and above. The new comers to this agency business are mostly general agents as the average age of these agents is less than that of specific agents. They are not only deal with LIC products but other Insurance business also. The mean age of specific agents is 46.07 years; the standard deviation is 9.44 years and the co-efficient of variations is 20.50 per cent. The mean age of general agent is 40.50 years; the standard deviation is 10.43 years and the coefficient of variation is more in the case of general agents than that among specific agents.

### CHI-SQUARE TEST RESULTS

| PARTICULARS           | VALUE      |
|-----------------------|------------|
| Level of Significance | 5 per cent |
| Degrees of freedom    | 3          |
| Calculated Value      | 23.74      |
| Table Value           | 1.96       |
| Result                | Rejected   |

Sources: Primary data

**TABLE NO 2**

The calculated value 23.74 is higher than the table value 1.96. Hence the null hypothesis is rejected. So, it is proved that the specific and general agents differ significantly with respect to their age group

### EDUCATIONAL QUALIFICATIONS

It is educational knowledge that enables agents to understand the situations, adopt suitable strategies and act accordingly. This reflects on the performance of organization. Therefore, the details of educational qualification of the sample respondents are shown in Table 3

### EDUCATIONAL QUALIFICATIONS

| QUALIFICATION  | SPECIFIC AGENTS | %          | GENERAL AGENTS | %          | TOTAL      | %          |
|----------------|-----------------|------------|----------------|------------|------------|------------|
| SSLC           | 27              | 18         | 8              | 8          | 35         | 14         |
| HSC            | 43              | 29         | 19             | 19         | 62         | 25         |
| Degree         | 60              | 40         | 59             | 56         | 119        | 48         |
| P.G and others | 20              | 13         | 14             | 14         | 34         | 13         |
| <b>Total</b>   | <b>150</b>      | <b>100</b> | <b>100</b>     | <b>100</b> | <b>250</b> | <b>100</b> |

Source: Primary Data

**TABLE NO 3**

Table 3 shows the details of qualification of sample agents. The analysis shows that 61 per cent of the total agents are graduates. It can be inferred that majority of the respondents are at least graduates and the number of graduates is more in the case of general agents than among specific agents. To verify the validity of this inference a null hypothesis is framed and tested in this study.

**CHI-SQUARE TEST RESULTS**

| <b>PARTICULARS</b>    | <b>VALUE</b> |
|-----------------------|--------------|
| Level of Significance | 5 per cent   |
| Degrees of freedom    | 3            |
| Calculated Value      | 11.12        |
| Table Value           | 7.81         |
| Result                | Rejected     |

Source: Primary data

**TABLE NO 4**

As the calculated value is more than the table value, the null hypothesis is rejected. It is proved that the general agents are well educated compared to specific agents.

**EXPERIENCE IN AGENCY SERVICE**

Next to educational qualifications, it is experience which determines the efficiency of the agents. The sample respondents have varying periods of experience in the field of insurance. So, the details of experience of the agents are shown in Table 5.

**EXPERIENCE IN AGENCY SERVICE**

| <b>EXPERIENCE</b> | <b>SPECIFIC AGENTS</b> | <b>%</b>   | <b>GENERAL AGENTS</b> | <b>%</b>   | <b>TOTAL</b> | <b>%</b>   |
|-------------------|------------------------|------------|-----------------------|------------|--------------|------------|
| Less than 5 years | 16                     | 11         | 25                    | 25         | 41           | 16         |
| 5 – 10 years      | 32                     | 21         | 11                    | 11         | 42           | 17         |
| 10- 15 years      | 79                     | 53         | 28                    | 28         | 108          | 43         |
| 25 years & above  | 23                     | 15         | 36                    | 36         | 59           | 24         |
| <b>Total</b>      | <b>150</b>             | <b>100</b> | <b>100</b>            | <b>100</b> | <b>250</b>   | <b>100</b> |

Source: Primary data

**TABLE NO 5**

Table 5 shows the details of experience of the agents in the sample. Among the specific agents, 11 per cent have less than 5 years' experience; 21 per cent have an experience of 5 and 10 years ; 53 per cent have 10 to 15 years of experience and 15 per cent have more than 25 years of experience. Among the general agents, 25 per cent have less than 5 years' experience; 11 per cent have between 5 and 10 years ; 28 per cent have 10 to 15 years of experience and 36.00 per cent have more than 25 years of experience. Among the agents, 16 per cent have less than 5 years' experience; 17 per cent have an experience of 5 to 10 years; 43 per cent have 10 to 15 years of experience and 23 per cent have more than 25 years of experience.

**CHI-SQUARE TEST RESULTS**

| <b>PARTICULARS</b>    | <b>VALUE</b> |
|-----------------------|--------------|
| Level of Significance | 5 per cent   |
| Degree of freedom     | 3            |
| Calculated Value      | 26.38        |
| Table Value           | 7.81         |
| Result                | Rejected     |

Source: Primary data

**TABLE NO 6**

As shown in Table - 6, the calculated value is more than the table value, the null hypothesis is rejected. It is proved that the general agents are more experienced compared to specific agents.

### **EXPLAINING THE RISK AND LOAN ASPECTS TO CUSTOMERS – GENERAL AGENTS**

The Table 6 shows the number of general agents explaining the risk and premium aspects etc., to the customers.

#### **EXPLAINING THE RISK AND LOAN ASPECTS TO CUSTOMERS – GENERAL AGENTS**

| <b>FEATURES</b>   | <b>USUALLY</b> | <b>TO SOME<br/>EXTENT</b> | <b>ONLY IF ASKED</b> | <b>TOTAL</b> | <b>POINTS</b> | <b>CO-EFFICIENT</b> |
|-------------------|----------------|---------------------------|----------------------|--------------|---------------|---------------------|
| Risk Coverage     | 54             | 21                        | 14                   | 100          | 26            | 0.260               |
| Premium Payment   | 25             | 28                        | 15                   | 100          | 13            | 0.130               |
| Maturity Benefits | 16             | 22                        | 17                   | 100          | 36            | 0.360               |
| Penal Provisions  | 40             | 23                        | 19                   | 100          | 5             | 0.050               |
| Loan Aspects      | 34             | 17                        | 23                   | 100          | 1             | 0.010               |
| Bonus Aspects     | 15             | 15                        | 19                   | 100          | 18            | 0.180               |

Source: Primary Data

**TABLE NO 6**

Table 6 shows that 54 agents usually or always explain the risk coverage and the remaining 46 agents explain to some extent or only if asked for; With regard to premium payment details, 48 agents always explain the risk coverage whereas 52 agents explain to some extent or only if asked for. As regards maturity benefits, 54 agents usually or always explain the risk coverage and 39 agents explain to some extent or only if asked for.

## **7. FINDINGS OF THE STUDY**

Insurance agents can be classified into two types. Specific agents deal with LIC products only General agents deal with products of other Insurance Companies also. The mean age of specific agents is 46.07 years and that of general agents is 40.5 years. The newcomers to this agency business are mostly general agents. It is found that the majority of the insurance agents in the study area are at least graduates and the number of graduates is larger in the case of general agents than among specific agents. It is proved with the help of a chi-square test that the general agents are better educated compared to specific agents.

It is inferred that the majority of the respondents have more than 10 years of experience in the field of insurance. It is proved with the help of a chi-square test that the specific agents are more experienced than the general agents. 78 per cent of specific agents and 56 per cent of the general agents are married. On the whole, 69 per cent are married and the remaining 31 per cent are unmarried. On hypothesis testing, it is proved that a greater percentage of specific agents are married compared to general agents.

It is found that among urban policyholders, there is dissatisfaction with regard to two important aspects of pre-policy service namely in providing information about policies and with the assistance provided for selecting the policies. It is inferred that among the rural policy holders, there is dissatisfaction with regard to policy information, selection of policy, document requirements and payment of first premium. Dissatisfaction level is highest with services relating to policy information and the selection of policies.

The opinion of the rural respondents about their satisfaction level over the services offered to them by the LIC during the processing stage reveals that the level of dissatisfaction is the highest for services relating to fulfillment of medical requirements and low about the amount of premium.

## **8. CONCLUSION**

Life insurance is a long – term business activity, which enables mobilization of funds that are used for infrastructure development in the country. A good insurance company provides fair and prompt claims settlement and provides good service before and after a loss. The Corporation should try to invest a larger percentage of its investable funds in the national economy to benefit the policyholders and the public. The larger the portion of LIC assets invested in the economy, the higher would be the contribution to the economic development of the country. The LIC was established with a view to spreading the gospel of life insurance to every part of India and encourage the habit of thrift among the public and also to enhance the resources at the disposal of the Government. Quick, efficient service to policy holders should be the goal of the LIC. Insurance is not purely a commercial industry but a social institution too.

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