

Determinants Of Customer Satisfaction In Life Insurance Corporation Of India – An Analysis

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Abstract

The purpose of Business is to create new customers and retain old customers. Customer's orientation is the ultimate key. LIC initiated necessary measures for providing better services to the policy holders. Computerization and networking of operating units is also taken up for better access. New methods like single window, customer service centers have received wide recognition and acceptance among users. LIC is still ahead of the curve in terms of focus, culture and commitment. The concept customer satisfaction is developed as a way to collect and manage customer service and sales information so the business would have more comprehensive view of their customer contact. Unlike other business, a customer of LIC is different in the sense that whenever a policyholder purchases a policy from the Corporation, he becomes the customer of the organization for a long period. Thus, the organization has to keep relationship with that customer not only for the collection of premium but also for change of address, change of nominee, sending premium notice, lapsation of policies, revival of policies, settlement of claims etc. It is rightly said that it costs seven times to acquire a new customer than to retain an old customer.

Key words: Policyholders, agents, premium, development officer, revival, renewal.

Prologue

Satisfaction is a phenomenon expressing that the performance and benefits of the products exceed the expectations of the customers. Customer satisfaction increase the existing customer loyalty, repurchase process, awareness of the people about the

firm, decrease the price flexibility, the cost of gaining new customers and prevent the customer being affected from competitive enterprise. (Peter, J.P. and Olsan, J.C., 2005)

Customer satisfaction is the individual's perception of the performance of the product or service in relation to his or her expectations. The concept of customer satisfaction is the function of customer expectations. A customer whose experience falls below the expectations will be dissatisfied. (Thomas O. Jones and W. Earl Sasser, Jr, 1995)

The overall objective of providing value and satisfaction toward customers continuously and effectively is to retain the highly satisfied customers. This strategy of customer retention is possible only the company is able to provide satisfaction to the existing customers. In almost all business situations, it is more expensive to attract new customers than to keep the existing ones. (Leon G. Schiffman and Leslie Lazar Kanuk, 2009)

Infact, customer service is concerned with the building of bonds with customers and other markets or groups to ensure long-term relationships of mutual advantage which reinforce the other marketing mix elements. Customer service can thus be seen as an activity which provides time and place utilities for the customer and which also involves pre-transaction and post-transaction considerations relating to the exchange process with the customer. The provision of high level of customer service involves understanding what the customer buys and determining how additional values

can be added. (Adrian Payne, 1995)

In today's competitive market, which factors cause customer satisfaction, which variables change customer satisfaction in which ways and how these variables can be managed, for which segments which activities can be designed are the main questions that marketers must consider. If it is considered that gaining new customers create four times more costs than protecting existing customers from leaving, it can be seen that answers to these questions carry great importance for the firms. (Grönroos, C., 1996)

In the digital economic era, there is a major shift from product based strategy to customer based strategy. Sustainability of organization and retention of customers lie in understanding the existing and emerging technologies. This is applicable to insurance sector also. As competition intensifies, it focuses on retaining the old customers and acquiring the new customers. Customer focused strategies require Customer Satisfaction to retain and acquire the customers. It not only helps to sell more products to existing customers but also to acquire new customers through various touch points and translate operational data into actionable insights. the nature and importance of better customer service to the policy holders need to be understood and there is always a need for quality in services (Debroy.A, 1987)

With the liberalization and internationalization in insurance, service quality has become an important means of differentiation and path to achieve business success. Such differentiation based on service quality can be a key source of competitiveness for insurance companies and hence have implication for leadership in such organizations. With the increasing demands of customer, insurance sector has become competitive. The one for all or all for one syndrome is being given a go-by. Customers are becoming increasingly aware of their expectations, and demand higher standards

of services, as technology is enabling them to make comparisons quickly and accurately. Their perceptions and expectations are continually evolving, making it difficult for service providers to measure and manage services effectively. Further there is a need for individual attention in providing the services and the good service helps to avoid dissatisfaction among the customers (wali,1989).

The trend of insurance companies shifting from a product-focused view to a customer-focused one has been developing recently as insurance products become increasingly hard to differentiate in fiercely competitive markets. Insurance companies in India are consequently directing their strategies towards increasing customer satisfaction and loyalty through improved service quality. It is becoming desirable for insurance companies to develop a customer centric approach for future survival and growth. The awareness has already dawned that prompt, efficient and speedy service alone will tempt the existing customers to continue and induce new customers to try the services of the company. In every service industry, customer is always the king and customer service is the key to the success. This is also true in the Indian life insurance industry. In a competitive environment, a business organization is expected to learn more and more about the customers' behavior and requirements not only to survive but also to create long term relationship with customers.

Today's market demands not only customer satisfaction but customer orientation. An insurance company is supposed to provide quality service to its customers and marketing personnel of the insurance organization should have a holistic view of each and every customer of the organization. It enables them to be prompt; to create cross selling and up-selling opportunities; to measure marketing effectiveness and deliver personalized customer care. Insurance companies are expected to gain insight into customer

behaviour and maximize competitive opportunities. The goal of insurance companies is to improve customer satisfaction thereby increase revenue and decrease costs. The thrust areas in the process of delivering quality service towards the customers include the following:

- Understanding customers' unique requirements
- Differentiating the customers' needs, characteristics and their behaviour.
- Developing product services channels to meet customers' needs
- Customizing by customer segment
- Interacting with customers and prospective customers
- Delivering and acquiring increased value to the customer
- Retaining valuable customers

Objectives of the study

1. To assess the performance of insurance advisors of LIC in fulfilling various requirements of policyholders.
2. To assess the quality of service provided by LIC towards its policyholders.

Methodology

The study has been undertaken in Silchar Division of LIC. Silchar division is located in south Assam of North east India and it caters to the need of south Assam as well as three other states, namely, Manipur, Mizoram and Tripura. As a result the division is one of the significant unit of LIC which is expected to co-ordinate the activities of different

branches spreading over these states. Though the LIC is committed for providing better services to its customers but at the grass root level i.e., at the branch level customer service is not always satisfactory. For examining the position of customer satisfaction under Silchar Division of LIC 265 policyholders and 68 Development Officers and Agents are questioned under various aspects of customer satisfaction by preparing a questionnaire. The following parameters are undertaken to analyze and interpret the data.

Accessibility of the agent

There is a tendency on depending on the agents even for the services to be provided to policyholders through branch office. In order to understand the practices of different categories of policyholders about their dependence on agents and branch office, the opinions of policyholders are analyzed. The agent has to render necessary service, whenever the policyholders require any service regarding LIC policy. The agent has responsibility towards policyholders to render necessary service as he is receiving renewal commission on the premium paid by policyholders.

With a view to assess the experience of policyholders regarding the accessibility of agent whenever he needs the service of agent, the opinions of the policyholders are collected on five point scale with the rating as always, mostly, sometimes, rarely and never and they were assigned the values as +2, +1, 0, -1, -2. The mean values have been calculated for the responses of different categories of policyholders.

While judging the degree of 'accessibility' the following criteria are followed.

Above 1	Between 0.5 to 1	Between 0 to 0.5	Between 0 to -0.5	Below -0.5
ALWAYS	MOSTLY	SOMETIMES	RARELY	NEVER

Table 1 : Accessibility of agent-opinion of policyholders

Customer Segment	Mean Values	Accessibility Rating
Rural	-0.04	Rarely
Urban	0.18	Sometimes
Literates	0.07	Sometimes
Illiterates	0.02	Sometimes
Professional & Managerial Group	0.12	Sometimes
Regular Income Group	0.05	Sometimes
Self Employed Group	0.03	Sometimes
Agricultural Labour Group	-0.03	Rarely

Source: Questionnaire Data.

Table 1 shows that the urban, literate, illiterate, professional and managerial group, regular income group and self employed groups felt that agents are

accessible sometimes. However the rural and agricultural groups felt that agents are rarely available. On the whole it may be concluded that agents are not so accessible to policyholders whenever their services are needed. It is generally felt that in the post purchase period of policy, agents do not meet the policyholders frequently. It also indicates the need to improve accessibility of agents to the policyholders.

Agents' performance rating

The effective performance of an agent can be better judged by the policyholders. Therefore, an attempt is made here to evaluate the performance of agents from the view point of policyholders. For this purpose, the same policyholders are asked to rate the performance of agents for selected attributes on a five point scale with the ratings of very good, good, not bad, bad and very bad. The scores values have been computed for these ratings and compared with ideal scores and shown in Table 2.

Table – 2 : Agents' Performance Rating By Policyholders

Sl No	Attributes	Actual Score	Maximum Score	Percentage of Maximum Score
1.	Knowledge about LIC	1058	1325	80
2.	Attitude towards policyholders	992	1325	75
3.	Concern about welfare of the policyholders	886	1325	67
4.	Availability to policyholders	806	1325	61
5.	Prompt service	801	1325	60
6.	Way of presentation	1029	1325	78
7.	Advice	942	1325	71
7.	Reminding premium dates	521	1325	39
8.	Collection of premium and payment to LIC	336	1325	25
9.	TOTAL	7371	11925	62

Source: Questionnaire Data.

It may be observed from the table that the percentage of actual scores to the maximum scores for all attributes together is 62, which indicates satisfactory performance of agents. The percentage for the individual attributes range between 25 and 80. Out of 9 attributes identified the percentages in respect of 7 attributes are above 50 percent. While in case of two attributes (reminding premium dates, collection of premium and payment to LIC) the percentage figures are below 50.

On the whole the analysis reveals that the agents are rated high from view point of the policyholders. But with regard to after sales services, the performance of agents is rated to be low. Therefore, it is necessary that the agents should be made to serve the policyholders throughout the period of the continuation of their policies.

Opinions of the branch managers

An attempt is made to collect the opinions of the Branch managers regarding the performance of agents under their control. For this purpose, the branch managers of LIC are asked to reveal whether they are satisfied with the performance of agents under their respective branches. 50 percent of the branch managers expressed that they are satisfied with the performance of agents working under them.

- i) A great majority of the agents of LIC are not professionals. Most of the agents of LIC are mere spotters. They used to work for LIC on part time basis only. They are unable to spare sufficient time for LIC agency work and they are reluctant to learn and do hard work. This suggested that the agents are to be more professionals in their approach and hardworking.
- ii) Most of the agents do not work consistently throughout the year to achieve their targets. In the last 2 or 3 months of the year end, they rush up to complete their targets.

- iii) Most of the agents are unable to follow the proposal forms and other documents written in English. They do not even try to learn minimum English to understand basic aspects of LIC.
- iv) Most of the agents do not have any knowledge about life insurance. They do not try to learn about philosophy and product range of LIC and other relevant aspects concerned to their work.
- v) Imparting training to agents is also a major problem. They take training classes casually and do not really try to learn anything.

Importance and performance analysis of service indicators of LIC

The importance and performance analysis is an attempt to assess the level of importance as perceived by the respondents for selected attributes and also rate the performance of each indicator. In order to assess perceived importance, different aspects of 18 selected service attributes and their respective performance rating from the view point of the policyholders, the following methodology is adopted.

At the first stage, the respondents are asked to indicate the level of importance for each attribute on a four point scale with the ratings – extremely important, important, slightly important, and not important and these weights have been assigned as 4, 3, 2 and 1 respectively.

At the second stage, the respondents are asked to rate the performance of each selected attribute on a four point scale with the rating as Very Good, Good, Satisfactory and Poor and to quantify these ratings the values have been assigned as 4, 3, 2 and 1 respectively.

The mean values have been calculated for each attribute as mentioned below:

$$\text{Mean Value} = \frac{\sum fx}{n}$$

Where, f = Number of responses obtained for each rating

x = Values assigned.

n = Number of observations.

At the third stage, the mean values of importance rating and also performance rating for each attribute along with their differences are shown in Table 3.

Table- 3 : Perceived level of importance and performance rating by policyholders

Sl.	Attributes	Importance	Performance Rating	Difference Rating
1	Less waiting time	3.86	2.43	1.43
2	Personal Interest	3.71	2.85	0.86
3	Quick Service	3.62	2.69	0.93
4	Accurate Service	3.59	2.63	0.86
5	Prompt Action on Complaints	3.53	2.43	1.10
6	Friendly Service	3.34	2.69	0.65
7	Comfortable Interior	3.32	1.83	1.49
8	Efficient Service	3.19	2.66	0.53
9	Well furnished premises	3.12	2.79	0.33
10	Easy accessibility to service	3.08	2.50	0.58
11	Communication with customer	3.05	2.49	0.56
12	Employees easily approachable	2.88	2.25	0.63
13	Knowledgeable & skilled employees	2.68	2.43	0.25
14	Bonus	2.68	1.99	0.69
15	Advertising	2.63	2.59	0.04
16	Public relations	2.58	2.17	0.41
17	Range of services offered	2.34	2.24	0.10
18	Rate of premium	2.15	1.96	0.19

Source: Questionnaire Data

It may be observed from table 3 that the mean values of importance rating ranged between 2.15 to 3.96. 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. The attributes – bonus, advertising, public relations, range of services offered and rate of premium are perceived to be less important service

attributes in that order. It is also observed that the mean values of service rating by the respondents ranged between 1.90 and 2.87. It is observed that there is a considerable gap between the perceived importance of service and the performance rating by the policyholders ranged between 0.04 and 1.49. The rank correlation coefficient calculated on the differences so arise and is found as 0.99 which indicated that the rating is positively correlated.

Findings

1. On measuring the accessibility of agents by the policyholders' on 5 points 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. The attributes like 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.

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

Epilogue

There is no doubt that the consumer satisfaction is the ultimate goal of the business. Goods or services to be produced or delivered must fulfill the requirements of consumers. Otherwise, dissatisfaction is bound to generate in the minds of the

consumers and which, in turn, will affect the sales of the company adversely. Further, in the fiercely competitive market environment, the market share of the particular brand may get eroded and another brand may replace the current brand within a short period of time. Thus, understanding customers' needs, expectations, likings, preferences and perception are extremely important for the marketers of modern era. LIC is expected to assess the level of satisfaction or dissatisfaction of consumers in order to decide about the future course of action.

LICI realized that enhancing customer value, delivering a higher level of service and enriching the brand all play a critical role in growing profitability and consistently face the competition. LICI believes that keeping customer relationships strong and profitable in the future will require the right mix of innovative information technology, more effective business processors, better data management and new workforce initiations.

LICI need to adopt the necessary measures for providing better services to the policyholders. Computerizations and networking of operating units is also taken up for better access. New methods like single windows, Green Channel, customer service centers have received wide recognition and acceptance among users.

Policyholder's data enables the organization to build strong customer relationships and become more customer-centric. The wealth of relevant customer data should be recognized and a central repository to manage the data with smart use of technology will lead to better customer relationships. Achieving the deep insights into customer needs, preferences, and behaviour is no doubt hard work. However, for a disciplined organization like LICI at the collection, investigation and use of customer data from a strategic perspective stand has an excellent chance of generating superior customer loyalty and in the process of strong competitive advantage.

LICI has to implement its Knowledge Management Centre Program with adequate emphasis on communications, training, policies and procedures, knowledge proficiencies, incentives, a comprehensive measurement system and the creation of an organizational team to lead the knowledge management effort. This will provide employees with the tools and information needed to perform with increased efficiency. It also makes the employees more competitive and better suited to deliver value-based service to customers. When it comes to service to policyholders and relationship management, LICI is still ahead in terms of focus, culture and commitment. LICI has been able to develop an approach that combines the latest technologies with essential service to significantly enhance the corporation's ability to serve its policyholders.

As the customers become more mobile, informed and demanding and competitors become more adept, LICI's initiatives are not sufficient for the raising standard for customer service. LICI has to deliver not only more sophisticated-sales and service capability, but also to deliver and manage these capabilities more quickly and cost effectively. The available customer information is to be strategically utilized and segmented to target the new customer prospects. Whenever new insurance needs have been discovered and new products have been developed LICI can expand its customer value both horizontally and vertically.

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