

# A Study on The Service Quality of LIC As Expected and Perceived By Its Policy Holders

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## Abstract

*Customer service assumes vital importance in the marketing programmes of all modern organisations, specifically service organisations. As insurance is a service industry, the main focus is on the efficient and effective delivery of services to the policyholders. The most important factors in the insurance industry are, security of the amount insured and customer satisfaction. The best way of surviving and prospering in the competitive environment is through providing prompt, relevant and efficient customer services at measurable cost. After the liberalization of the insurance sector, it has been duly realised by all the players that, offering "quality service" is the only differentiating factor to attain sustainable growth in the competitive environment.*

*The present study focuses to quantify the services as offered by LIC.*

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## Introduction

Insurance is described as a social tool, which reduces or eliminates the risk of life and property. It is a contract between two parties-the insurer (the insurance company) and the insured (the person or entity seeking the cover) where, the insurer agrees to pay the insured for any financial losses arising out of any unforeseen events in return for a regular payment called "premium". The principles of insurance works on the concept that large number of people exposed to a similar risk makes contribution to a common fund and those who suffer loss due to the occurrence of any uncertainties or risk are compensated from this fund.

Customer service assumes vital importance in the marketing programmes of all modern organisations including service organisations. As insurance is a service industry, the main focus is on the efficient and effective delivery of services to the policyholders. The most important factors in the insurance industry are security of the amount insured and customer satisfaction. The best way of surviving and prospering in the competitive environment is through providing prompt, relevant and efficient customer services at measurable cost. After the liberalization of the insurance sector, it has been duly realised by all the players that customer

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satisfaction is the pivotal element for enhancing business performance. In order to attain sustainable growth in the competitive environment, offering "quality service" is the only differentiating factor

## **Life Insurance in India**

Life insurance in India has its history dating back to 1818. It began when Oriental Life Insurance Company was started by the Europeans in the Bengal presidency to cater to the needs of the European community. Pre-independent era in India saw discrimination among the life of foreigners and Indians with higher premia being charged for the latter. It was only in the year 1870, Bombay Mutual Life Assurance Society, the first Indian insurance company covered the Indian lives at normal rates. Insurance regulations began formally by the passing of two Acts in the year 1919 namely, the Life Insurance Companies Act and the Provident Fund Act. However, the first comprehensive legislation was introduced with the Insurance Act of 1938, which provided strict state control over insurance business in the country. Though the first legislation was enacted in 1938, it was only on 19<sup>th</sup> January 1956, that Life insurance in India was completely nationalized, through the Life Insurance Corporation Act 1956. The result was the emergence of the Life Insurance Corporation of India on 1<sup>st</sup> September 1956.

## **LIC in the Nationalised Environment**

In the pre-liberalised environment the term 'life insurance was attributed to the big brother of the life insurance

industry, the public monolith, "Life insurance Corporation of India (LIC)". It was enacted with the prime objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost through the agent force, as it was considered to be the only channel of distribution of insurance products. Today LIC functions with 2048 fully computerised branch offices, 100 divisional offices, 7 zonal offices, with its corporate office operating in Mumbai and with a strong 10,52,283<sup>3</sup> agent force in its operation wing. The corporation, which transacted insurance mainly on individual lives, later, started doing insurance on group basis under its pension and group schemes portfolio. During 1989 corporation diversified its activities by introducing LIC mutual funds, LIC housing finance Ltd etc.,

## **Statement of the Problem**

LIC still continues to be dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on new growth surpassing its own past records. It still reins the industry by achieving the highest market share, based on premium collection (70.25%) and number of policies issued (89.09%). The corporation issued 315, 72,547<sup>3</sup> policies during the year 2005-2006. In par to its private competitors, the corporation has incorporated information technology enabled services in its various operations with a view to enhance customer service and convenience. It has facilitated online payment, on-line info Kiosks, Interactive Voice Response System

(IVRS), information centers in major metropolis and has launched satellite sampark. It has planned to venture in the digitized era by going paperless by the year 2010. From its incorporation to date, LIC has crossed many milestones and has set an unprecedented performance record in various aspects of life insurance business. Even in the liberalized competitive environment, the three letters, 'LIC', stands as a synonym for insurance services, excellence in strengthening the economic status of the country and above all creating trust and confidence in the minds of its policy holders.

In considering the facts and issues mentioned above a study was conducted to quantify the service quality of LIC.

### **Objectives of the Study**

- To measure the significant difference between the expectations and perceptions towards various aspects of service quality in LIC.
- To offer suggestions on the basis of the study.

### **Methodology**

The study is restricted to Coimbatore city. Random sampling technique was administered in the study. 100 interview schedules were distributed to the policyholders of LIC, of which only 74 were usable. The questionnaire was constructed based on the SERVQUAL technique designed by Parasuraman, et.al, to record various factors relating to service quality. It consists of 21 questions relating to

expectations and perceptions of the customers. The responses are measured on a seven point Likert scale. With one indicating complete disagreement and seven indicating complete agreement. The collected data was analysed using SPSS software package. The following statistical tools were applied in tune with the objectives: Percentage analysis and Gap Analysis (Z Test). All tests were carried out at 5% level of significance.

### **Percentage Analysis**

#### **Demographic profile of the respondents**

Majority of the respondents are male (74.5%). Of the total respondents 48.5% fall under the category of less than 30yrs of age. 56.7% of the respondents are married and 58.7% of the respondents family consists of four members. 43.2% of them are post graduates and 54.0% of the respondents' monthly income ranges between Rs.10,000 – Rs.20,000. 48.6% of the respondents are employed in various private organisations.

#### **Results of percentage analysis**

Descriptive statistics were calculated for all the variables comprising service quality in a seven point scale on which 7 indicates complete agreeability and 1 indicates complete disagreeability of the factors considered. In general the expectations of the policyholders on the life insurance companies are very high on all the issues regarding the services delivery.

Perceptions refer to the actual services as experienced by the policyholders. The perceptions of the

policyholders are high on the factors relating to “the behaviour of the employees in LIC in creating confidence in the minds of the customers and in creating trust in their minds regarding the safe transaction with LIC”. These two factors account for 57% and 64% respectively. The policyholders perception of services offered by LIC are moderately low in various other factors such as its interest in solving problems, (47%), prompt services by the employees (46%) and responses by the employees towards policyholders (47.5%).

### **Gap analysis**

The Gap Analysis is a technique used to identify the Gap - the difference between the level of perception and level of expectation on the various issues relating to the services, problems, infrastructure, staff / employees of the insurance companies. For this analysis Z test (large sample test) is employed to find if the Gap obtained is significant or not.

### **Hypothesis 1**

There is no significant difference in the mean scores between the level of perception and the level of expectation (GAP) on the various factors considered in LIC.

### **Results: Table1**

As per the results of gap analysis, the hypothesis is rejected (significant) in all the cases except with regard to the behaviour of the employees in developing confidence and in the safe transactions with LIC where the Gaps are not significant (accepted).

## **Suggestions**

Though LIC holds its power in creating trust and instilling confidence in the minds of the policyholders regarding the transactions, it lacks in various service delivery aspects like solving problems, providing prompt services and responses towards the policyholders. It can enhance the quality of operation of the redressal cell.

In life insurance sector the role of manpower is vital to increase the life insurance business as they determine the quality of the service towards a policyholder. Hence, the agents and employees in LIC must be properly trained and imparted with knowledge skills so that they become professional in delivering the services.

## **Conclusion**

The study revealed that trust and creating confidence in the minds of the policy holders are the two strong factors in which still LIC reigns the life insurance industry. The expectations and the perceptions of the policy holders with respect to these two factors are well met by LIC. In today's liberalized environment, insurance companies operate in a market place that is extremely competitive. The degree of competition among the private and public insurance companies has been increasing in the present years. If LIC focuses on the efficient and effective delivery of services to the policyholders it would enhance its corporate goal of increasing insurance coverage, more profit and increment in market value and share.

**Table 1 Results of Gap Analysis – LIC**

Factors	Gap	t-values	p-values	S/NS
LIC has up-to-date equipments	-1.47	-16.67	0.000	S
LIC’s physical facilities are visually appealing	-1.35	-13.456	0.000	S
LIC’s Employees appear professionally dressed	-2.03	-15.787	0.000	S
LIC’s materials associated with the services are visually appealing	-2.01	-17.971	0.000	S
When LIC promises to do something certain time, it does so	-3.57	-27.905	0.000	S
When you have problems, LIC shows a sincere interest in solving it.	-3.66	-38.794	0.000	S
LIC gets things right the first time	-2.32	-17.974	0.000	S
LIC provides its services at the time it promise to do so	-2.3	-23.705	0.000	S
The employees in LIC tell you exactly when services will be performed	-2.43	-20.799	0.000	S
Employees in LIC give you prompt service	-2.11	-27.31	0.000	S
Employees of LIC are always willing to help	-3.55	-35.581	0.000	S
Employees of LIC are never be too busy to respond to the requests	-3.55	-31.774	0.000	S
The behaviour of employees in LIC instills confidence in you	-.80 E-02	-1.39	0.167	N S
You feel safe in your transactions with LIC	3.55E-02	0.561	0.576	N S
Employees in LIC are consistently courteous to you	-2.63	-20.387	0.000	S
Employees in LIC have the knowledge to answer your questions	-1.7	-22.855	0.000	S
LIC has operating hours convenient to all its customers	-2.11	-13.995	0.000	S
LIC gives you individual attention	-2.59	-21.966	0.000	S
LIC has employees who give you personal attention	-2.89	-23.981	0.000	S
LIC has your best interests at heart	-3.4	-21.14	0.000	S
The employees of LIC understands your specific needs	-3.39	-27.249	0.000	S

S: p-value ≤ 0.5; NS: p-value > 0.5 S – Significant, NS – Not Significant

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