

## **AN EMPIRICAL STUDY ON POLICY HOLDER'S OPINION AND SATISFACTION WITH REGARD TO SERVICES RENDERED BY LIC AGENTS**

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### **ABSTRACT**

*Life Insurance is a social security tool. It provides the much needed security when the income of the head of the family ceases owing to the unexpected risk, the family is protected to the extent of insurance coverage. Life Insurance Corporation of India (LIC) is the India's largest Life Insurance Company. LIC has acquired monopoly power in the solicitation and sale of Life Insurance Policies in India. LIC the capital intensive business provides the most important financial instrument to customers aimed at protection as well as long term savings. The Corporation reaches out to people through the main traditional route of the agency model for the selling processes of the numerous complex need-based products. The agents help in marketing its policies by spreading the message of life insurance among the masses. In this connection, a study is carried on to know the Policy holder's satisfaction with regard to services rendered by LIC agents, because 85-90 percent of the insurance policies are being issued by the insurance agents. Customer Satisfaction is the first step to achieve Consumer Loyalty. For this research, primary data was collected from the various policy holders of Life Insurance Corporation of India using a structured questionnaire and the data has been analyzed by ANOVA and percentage method using SPSS package 21.0.*

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**Keywords:** *Policy Holder's Satisfaction, Life Insurance Corporation (LIC), Insurance Agents.*

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### **Introduction**

The purpose of insurance as a method of transferring risk is to provide economic protection against the losses that may be incurred due to uncertain predicaments caused by disability, death of an earning family member or economic losses. The events that cause losses may or may not occur during the operative time of the contract of insurance. People, therefore, opt for life insurance purely for the reason of uncertainties in life. Life Insurance gives the insured a kind of peace of mind as he is assured of making up the loss in the event of such uncertainties in life.

### **Review of Literature**

**Vijay Kumar (2012)**, Vijay Kumar in his Ph.D. Thesis, "A Contemporary Study of factors influencing Urban and Rural consumers for buying different Life Insurance policies in Haryana" made an in-depth study of factors influencing buyer behaviour for buying life insurance policies in Haryana. The study concluded that the insurance agent was the most influential factor for selecting the life insurance policy among rural and urban policy holders.

**Athma.P and Kumar. R (2007)**, in the research paper titled "an explorative study of life insurance purchase decision making influence of product and non-product factors". The empirical based study conducted on 200 sample size comprising of both rural and urban market. The various product and non-product related factors have been identified and their impact on life insurance purchase decision-making has been analysed. Based on the survey analysis, urban market is more influenced with product based factors like risk coverage, tax benefits, return etc. whereas rural population is influenced with non-product related factors such as: credibility of agent, company's reputation, trust, customer services. Company's goodwill and money back guarantee attract many people for life insurance.

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**Amit Kumar Chakrabarty (2006)**, In his study entitled "The Efficiency of LIC during the post-Liberalization and Globalization Period: A case study of West Bengal" argues that the service of agents such as timely information about the premium due, assistance in payment of renewal premium, response to customer problem and guidance to clients request influence the satisfaction of customers and also in procuring business.

**Pathak et al (2003)**, in this article "Increasing competitiveness through marketing - A case study of Life Insurance Corporation of India" discussed the competitive strategies along with strengths and weaknesses adopted by LIC of India. The author carried a SWOT analysis of LIC and General insurance market to formulate new marketing strategies. The study was conducted through a survey with an open ended interview of hundred policy holders of LIC of India. The purpose was to prepare new and efficient marketing strategies, increase the market share and improve customer satisfaction by providing quality services. The results showed that the insurance companies are spending a lot of money on promoting the products and there is no budgetary allocation for R&D of products which could help in creating innovative, cost effective products which satisfy the needs of the customers. The study recommended, research and development in insurance products, their services, profitability at both ends that is insurer and insured, apart from intermediaries should be given importance.

**Ragunath and Joseph Shields (2001)**, made a research on "Introduction of e-CRM in the Indian Insurance Sector". The study focused on the reaction of the agents and customers to the introduction of e-CRM call centres and internet products in the insurance sector. The findings of the study revealed that general insurance agents preferred telephone and e-mail interaction, while life insurance agents preferred personal interaction though they expressed their willingness to be part of the network for setting up a database for their customers.

**Malliga, R. (2000)**, in her study, the author examined the association between socio economic status, Personality Traits of the Agents and the Performance in Tirunelveli, Tuticorin and Kanyakumari districts. Further, the impact of marketing strategies and attitude of agents towards the organization and their performance is studied with a sample of 100 respondents. The results of the data showed that performance of agents in terms of number of policies, the sum assured and the total commission received was found to be dependent on the socio-economic status.

### **Need for the Study**

The review of literature revealed that most of the research works on life insurance business in India have concentrated on buyer and seller perceptions on life insurance products, service quality, customer satisfaction in life insurance industry, and distribution channels of life insurance sector. Though some research has been done on services rendered by LIC of India and its Agents to the policyholders and their satisfaction towards the company and agents, due to changing perceptions, requirements and expectations of the policyholders and introduction of various innovative methods for providing services to the policyholders by the life insurance companies it is felt to conduct a survey to know how far policy holders are still preferring services from agents and their satisfaction towards the services rendered by the agents.

### **Objectives of the Study**

- To study the policyholder's perception towards services rendered by LIC of India through its agents.
- To study the factors influencing consumers in selecting a policy from LIC of India.
- To study the policyholder's satisfaction towards Life Insurance Corporation of India.

### **Hypotheses**

**H<sub>0</sub>:** There is no significant difference in the satisfaction level of policy holders with regards to the factors considered for taking life insurance policy and number of policies taken.

**H<sub>1</sub>:** There is no significant difference in the opinions of policy holders on the aspects related to the services of life insurance agent and the value of policy.

### **Research Methodology**

The data for the study is collected from primary as well as secondary sources. Secondary data is collected from reports of IRDAI, IRDAI handbook on Indian Insurance Statistics, online journals on related issues. A structured questionnaire is constructed to collect the primary data from a sample of 100 life insurance policyholders of LIC residing in Hyderabad and Secunderabad cities using convenience sampling method. The data is analyzed by applying One way ANOVA, Percentage method using MS-Excel and SPSS 21.0.

**Data Analysis****Table 1: Demographic Profile of the Respondents**

Demographic profile	No. of respondents	Percentage
<b>Age</b>		
Up to 25 years	26	26%
25 years - 35 years	33	33%
35 years - 45 years	23	23%
Above 45 years	18	18%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Gender</b>		
Male	57	57%
Female	43	43%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Educational Qualifications</b>		
Illiterate	12	12.0%
Upto SSC	21	21.0%
Intermediate	9	9.0%
Graduation	26	26.0%
Post graduate	32	32.0%
<b>Total</b>	<b>100</b>	<b>100.0%</b>
<b>Employment</b>		
Govt. employee	5	5%
Private Employee	49	49%
Self Employed	22	22%
Retired	2	2%
Student	12	12%
Others	10	10%
<b>Total</b>	<b>100</b>	<b>100%</b>
<b>Monthly Income</b>		
no income	21	21%
Below Rs.40,000	61	61%
Rs.40,000 - Rs.60,000	12	12%
Rs.60,000 - Rs.80,000	3	3%
Rs.80,000 - Rs.1,00,000	1	1%
Rs.1,00,000 or above	2	2%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Primary data

**Table 2: Number of Policies with Gender Classification**

Variable	Options	Gender		Total
		Male	Female	
<b>Number of policies</b>	1	33	34	67
	2	16	6	22
	3	3	3	6
	4 & Above	5	0	5
	<b>Total</b>	<b>57</b>	<b>43</b>	<b>100</b>

Source: Primary data

It is observed that majority (67) of the respondents is having only one Insurance policy of which 34 are female respondents and 33 are male respondents.

**Table 3: Value of the Policy taken and Annual Premium Paid**

Value of Policy	Frequency	Percentage (%)
Rs.1,00,000	42	42%
Rs.1,00,000 – Rs.2,00,000	12	12%
Rs.2,00,000 – Rs.5,00,000	19	19%
Rs.5,00,000 – Rs.10,00,000	9	9%
Rs.10,00,000 & above	18	18%
<b>Total</b>	<b>100</b>	<b>100%</b>

Premium Amount		
Below Rs.10,000	50	50%
Rs.10,000 - Rs.15,000	21	21%
Rs.15,000 - Rs.20,000	3	3%
Rs.20,000 & above	26	26%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Primary data

**Table 4: Reasons for Investing in Life Insurance Policy**

Reason	No. of responses	Percentage (%)
Safety of Investment	51	51%
Tax Benefits	22	22%
High Returns	4	4%
Savings	57	57%
Life coverage	32	32%
Others	1	1%
<b>Total responses</b>	<b>167</b>	<b>100%</b>

Source: Primary data

Highest percentage of the respondents (57%) is choosing life insurance for the sake of savings this is followed by safety of investment (51%).

**Table 5: Type of Policy taken**

Type of Life Insurance Policy	Number of responses	Percentage (%)
Whole Life Policy	21	21%
Term Life Insurance Policy	39	39%
Endowment Policy	46	46%
Money Back Policy	32	32%
Pension Plan Policy	3	3%
Unit Linked Insurance Policy	1	1%
<b>Total responses</b>	<b>142</b>	
<b>Total no.of respondents</b>	<b>100</b>	<b>100%</b>

Source: Primary data

#### **Policy holder's opinion on purchasing number of policies based on various factor**

To test the significant difference in the opinion of policy holders with regards to the factors considered for taking life insurance policy and number of policies taken, a one way ANOVA test is conducted at 5% level of significance with (1,99) degrees of freedom. This test is applied to determine whether there is any significant difference in the means of satisfaction level of policy holders with regards to the factors considered for taking life insurance policy and number of policies taken.

**H<sub>0</sub>:** There is no significant difference in the opinion of policy holders with regards to the factors considered for taking life insurance policy and number of policies taken.

**Table 6: Summary of One way ANOVA**

	N	Mean	Standard Deviation	Df	F	Sig.	H0
Premium	100	4.23	.777	99	1.949	.127	Accept
Policy Term	100	4.05	.925	99	2.315	.081	Accept
Interests	100	3.72	.911	99	2.100	.105	Accept
Pre & post Services	100	3.86	.899	99	.923	.433	Accept
Accessibility	100	3.86	.943	99	1.511	.217	Accept
Company Image	100	4.45	.833	99	1.488	.223	Accept
Security	100	4.51	.745	99	1.843	.145	Accept
Tax Benefits	100	4.13	.825	99	4.601	.005	Reject

Source: SPSS 21.0

From the One way ANOVA results, it is observed that there is no significant difference in the opinion of policy holders with respect to factors considered for taking life insurance policy and the number of policies taken. As the Sig. (p) values are greater than 0.05, the null hypothesis is accepted for all the factors except for tax benefits. With respect to tax benefits, it is observed that there is a significant difference in the opinion of policy holders about taking number of policies, where the Sig. (p) value is less than 0.05. Therefore null hypothesis is rejected. This means that tax benefits are considered by policyholders for taking more than one policies.

**Table 7: Selection of Agent**

Options	Number of responses	Percentage (%)
Know him personally	61	61.0%
Through Friends/relatives	27	27.0%
Met him at LIC Office	5	5.0%
Company employee introduced the agent	5	5.0%
Others	2	2.0%
<b>Total</b>	<b>100</b>	<b>100.0%</b>

Source: Primary data

**Services Provided by LIC Agent and Value of the Policy**

To test the significant difference in the opinions of policy holders with respect to services of life insurance agent and the value of policy taken, a one way ANOVA test is conducted at 5% level of Significance with (1,99) degrees of freedom. This test is applied to know that whether there is any significant relationship between the services rendered by the agent with the value of policy taken by life insurance policy holder.

**H<sub>0</sub>:** There is no significant difference in the opinions of policy holders on the aspects related to the services of life insurance agent and the value of policy.

**Table 8: Summary of One way ANOVA**

Variable	N	Mean	Standard Deviation	df	F	Sig.	H0
V1: Polite before and after taking policy	100	4.40	.876	99	2.042	.095	Accept
V2: Easily available on time	100	4.23	.952	99	2.615	.040	Reject
V3: Updates about policy terms and conditions	100	4.12	1.047	99	1.983	.103	Accept
V4: Collects premium personally	100	3.92	1.245	99	.418	.796	Accept
V5: Compares his/her company's policy	100	3.92	1.089	99	1.126	.349	Accept
V6: Reveals all relevant facts	100	4.16	.992	99	.520	.721	Accept
V7: Has good knowledge of various policies	100	4.18	1.029	99	.496	.739	Accept
V8: Clarifies doubts	100	4.16	1.061	99	1.036	.393	Accept
V9: Gives prior intimation	100	4.03	1.150	99	.822	.514	Accept
V10: Assists in getting policy loan	100	3.67	1.280	99	1.201	.316	Accept
V11: Helps in renewal of lapsed policy	100	3.94	1.135	99	.721	.580	Accept
V12: Helps in settlement of policy in time	100	3.92	1.169	99	1.504	.207	Accept

Source: SPSS 21.0

From the one way ANOVA results, it is observed that there is no significant difference in the opinions of policy holders on above mentioned aspects related to services of insurance agent and the value of policy taken. As the Sig. (p) values are greater than 0.05 null hypothesis (H<sub>0</sub>) is accepted.

But with respect to availability of agent easily on time (V2), the value of Sig. (p) is 0.040 which is less than 0.05. Therefore, the null hypothesis is rejected.

**Table 9: Policy holder's opinion about agent's explanation on terms and conditions of policy**

Response	Frequency	Percentage (%)
No	11	11%
Yes	89	89%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Primary data

**Table 10: Satisfaction with services rendered by the LIC Agent**

Response	Gender			
	Male	Percentage	Female	Percentage
No	7	12%	7	16%
Yes	50	88%	36	84%
<b>Total</b>	<b>57</b>	<b>100%</b>	<b>43</b>	<b>100%</b>

Source: Primary data

Out of 100 respondents who took policy from LIC agent, majority are male respondents and 88% of the male respondents mentioned that they are satisfied with the services rendered by LIC agent. 84% of the female respondents mentioned that they are satisfied with the services rendered by LIC agent. 12% of the male respondents and 16% of female respondents mentioned that they are not satisfied with the services rendered by LIC agent.

**Table 11: Reasons for dissatisfaction about the services of LIC Agent**

Reason	Responses	
	Number of respondents	Percentage (%)
Does not explain terms and conditions	9	29.0%
Does not explain why company's policy is better than others	3	9.7%
Does not advice wisely	7	22.6%
Does not inform about renewal date	5	16.1%
Does not deliver the receipts in time	7	22.6%
<b>Total</b>	<b>31</b>	<b>100.0%</b>

Source: Primary data

**Table 12: Employment wise satisfaction with life insurance policies of LIC of India**

Employment	Satisfaction with Insurance policies of LIC of India				Total
	Highly Satisfactory	Satisfactory	Neutral	Dissatisfactory	
Govt. employee	2	3	0	0	5
Private Employee	8	37	3	1	49
Self Employed	9	10	3	0	22
Retired	0	1	1	0	2
Student	1	6	5	0	12
Others	1	9	0	0	10
<b>Total</b>	<b>21</b>	<b>66</b>	<b>12</b>	<b>1</b>	<b>100</b>

Source: Primary data

It is clear that majority i.e. 66% of respondents are satisfied with the insurance policies of LIC of India. Out of satisfied respondents 37 respondents are private employees only.

**Table 13: Policy holder's opinion to suggest others to take the policy from LIC of India**

Options	Frequency	Percentage (%)
Yes	88	88%
No	12	12%
<b>Total</b>	<b>100</b>	<b>100.0</b>

Source: Primary data

An overwhelming percentage of (88%) respondent's opinion is to suggest others to take a policy from LIC of India as they are happy with the services provided by LIC of India.

### Findings, Conclusion and Suggestions

The findings from policy holder's perception on services rendered by LIC agents are presented below.

- It is found from the demographic profile of the respondents that, out of 100 respondents nearly 33% of the respondents are in the middle age group of 35 years to 45 years.
- Out of 100 respondents 57% of the respondents are male respondents, 32% of the respondents are post graduates, 49% of the respondents are private employees and majority of the respondents fall under the income group of below Rs.40,000 monthly income.
- It is observed that majority (67) respondents are having only one Insurance policy out of which 34 are female respondents and 33 are male respondents.
- Highest percent (42%) of the respondents hold policy worth Rs.1,00,000 and pay an annual premium amount of Rs.10,000. 34.1% of the respondents expressed that Savings is the main reason for which they have taken life insurance policy
- Highest (40.7%) percentage of the respondents has taken policy because of the influence of Family members and 34.3% of them mentioned that LIC agent has influenced them to take policy. 32.4% of the respondents have taken Endowment policy and 27.5% of them have taken Term Life Insurance policy.

- 46% of respondents who took Endowment policy have mentioned Savings as the main reason for taking the policy. 39% of respondents who invested in Term life Insurance policy, respondents who purchased Money Back policy and 21% of respondents who took Whole Life policy respectively have mentioned that Savings is the main reason for taking a LIC policy.
- Out of 100 policy holders who took policy from agents, majority (61%) of them expressed that they personally know the life insurance agent.
- Majority (89%) of the respondents expressed that they were fully and clearly informed about the terms and conditions of policy by the agent.
- Out of 100 respondents who took policy from agent, majority are male respondents and 88% of the male respondents and 84% of female respondents mentioned that they are satisfied with the services rendered by LIC agent.
- 14 members out of 100 respondents, who took policy from Agent, have mentioned that they are not satisfied with the services rendered by the agents and expressed that their agent does not explain terms and conditions.

### **Conclusion**

It is concluded that company need to develop the products keeping in view the requirement of prospective life insurance policy holders. Majority of the respondents expressed that Savings was the main reason for taking a Life Insurance Policy. Majority of the respondents have taken the insurance policy from Agents and they were fully and clearly explained about the policy terms and conditions. It is observed that, whatever is the value of the policy, opinion of respondents on the aspects related to services of agents is same. It is concluded from the one way ANOVA results that agents offer better services if the respondents take more number of policies.

By charging affordable premium, creating trust, maintaining transparency in policy related matters while offering it and efficient services after the sale of the policy with prompt actions on the quarries and complaints raised by policy holders will help the life insurance company to sustain and grow in the highly competitive environment.

### **Suggestions**

- The saving and investment awareness is very less in the young age of below 25 years and female. So Life Insurance Corporation of India should design and launch projects suitable to these groups and increase the awareness as well as investment.
- It is suggested to all the life insurance companies that they have come out with new strategies to educate and bring awareness among the public as insurance is not only an investment for getting tax benefits but it is also a risk mitigating mechanism. It helps the individual to frame a good career for their children. They can help their retirement life without any financial obstacles.
- Life insurance companies have to motivate the policy holders to go online for taking policy, payment of premium and for other insurance related activities. This reduces the cost of operations in terms of reduction in number of agents, branch offices, and number of employees in branches. With this the life insurance companies can charge less premium on the policies which will help the lower middle class population to go for life insurance.
- Unit Linked life insurance policy is the least preferred policy by the respondents, this is because they are market linked policies, so the insurers who are offering ULIP's need to educate the prospective investor on the advantages of having that policy to increase its sales.
- It is suggested that while offering the policy to the prospective investor the intermediary need to explain about various policies offered by the company, terms and conditions of the product to be offered and it should be compared with the policies of rival companies so that the investor will take proper decision about selecting the policy.
- Majority of the policy holders of LIC expressed that their agent does not explain terms and conditions of different policies, does not advice wisely and does not deliver the receipts in time as the main reasons for their dissatisfaction about agent's services. It is suggested that the insurer should instruct the agent to be careful with regards to explaining terms and conditions, comparing the present policy with other policies while offering it and after the sale of the policy the agent should update about new policies offered by the company, premium due information and renewal related information to their respective policy holders.

- It is suggested to the policy holders that they should read the policy terms and conditions thoroughly before taking the policy. They should have a clarity on which type of policy they are taking, the benefits of the policy, provision of making any changes in various aspects related to policy and premium and after sales services offered by the company.

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