

## **SERVICE QUALITY OF LIC TO THE POLICY HOLDERS - AN EMPIRICAL STUDY**

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### **ABSTRACT**

*The quality of service delivery results in customer satisfaction and their retention as it reinforces the perception that the value of service received is greater than the price paid for it. Quality improvement and adherence to accepted forms of quality are central to the modern concept of marketing of services. 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 policy holders. 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 liberalisation of the insurance sector it has been duly realised by all the players that customer 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.*

### **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 and the insured 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 occurrence of any uncertainties or risk are compensated from this fund.

The quality of service delivery results in customer satisfaction and their retention as it reinforces the perception that the value of service received is greater than the price paid for it. Quality improvement and adherence to accepted forms of quality are central to the modern concept of marketing of services. When the major marketing goal of a company is customer retention, the quality of service delivery is undeniably, the key differentiator. Service quality can be related to service potential; service process and service result. Thus delivery of high quality service is crucial to the high service value perception. 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 policy holders. 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 liberalisation of the insurance sector it has been duly realised by all the players that customer satisfaction is the pivotal element for enhancing business performance.

### **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. In part 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, and Interactive Voice Response System (IVRS), information centres in major metropolis and has launched satellite sampark. 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 a study was conducted to quantify the service quality rendering to the policy holders in Life Insurance Corporation of India (LIC).

### **OBJECTIVES OF THE STUDY**

To be precise the study has undertaken the following objectives:

1. To measure the significant difference between the expectations and perceptions towards various aspects of service quality in LIC, and
2. To offer suggestions on the basis of the study for improvement of quality services to the existing policy holders.

### **METHODOLOGY OF THE STUDY**

The study is restricted to Vijayawada city. Random sampling technique was administered in the study and about 117 interview schedules were distributed to the policy holders of LIC. The questionnaire was constructed on the SERVQUAL technique designed by Parasuraman to record the various factors relating to service quality and it consists of 23 questions.

A customer's expectation of a particular service is determined by factors such as recommendations, personal needs and past experiences. The expected service and the perceived service sometimes may not be equal, thus leaving a gap. This gap can be filled if the five quality dimensions of SERVQUAL are followed. Five quality dimensions of SERVQUAL as described by Parasuraman, Zeithaml and Berry are

- Tangibles are the physical evidence of the service.
- Reliability is the ability to perform the promised service in a dependable and accurate manner.
- Assurance is the customer feeling free from danger, risk or doubts including physical safety, financial security and confidentiality. It involves the factors such as trustworthiness, belief and honesty.

- Empathy means making an effort to understand the customer's individual needs, providing individualized attention, recognizing the customer when they arrive and so on.
- Responsiveness is to the readiness and willingness of employees to help customers in providing prompt timely services.

**Life Insurance in India**

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security.

Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in-force as Rs.22.44 crore, it rose to 176 companies with total business-in-force as Rs.298 crore in 1938. During the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act, 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of nationalization.

Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the 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.

LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organisation servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200.00 crores of New Business in 1957 the corporation crossed 1000.00 crore only in the year 1969-70, and it took another 10 years for LIC to cross 2000.00 crore mark of new business. But with re-organisation happening in the early eighties, by 1985-86 LIC had already crossed 7000.00 crore Sum Assured on new policies.

Today LIC functions with 2048 fully computerized branch offices, 109 divisional offices, 8 zonal offices, 992 satellite offices and the corporate office. LIC's Wide Area Network covers 109 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

**Some of the Important Milestones in the Life Insurance Business in India are:**

1818: Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.

1870: Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.

1912: The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.

1928: The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.

1938: Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.

1956: 245 Indian and foreign insurers and provident societies are taken over by the central government and nationalised. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs.5 crore from the Government of India.

### **FINDINGS**

1. It is found that the employees of LIC are always busy with respond to the requests of customers/ policy holders.
2. It is found that the majority of the customers feels safe and expressed their happiness in their transactions with LIC.
3. It is found that the negligible portion of the employees in LIC don't pay personal attention to the problems of customers.
4. It is found that the negligible portion of the employees in LIC don't have the knowledge of all the policies of LIC.

### **SUGGESTIONS**

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 policy holder. Hence the agents and employees of LIC must be properly trained and imparted with knowledge, skills so that they become professionals in delivering the quality services to the policy holders. It is good to know all polices of LIC by its employees.

Though LIC holds its power in creating trust and instilling confidence in the minds of the policyholders, but it lacks in various service delivery aspects such as solving problems, providing prompt delivery of services and responses to the policyholders. Hence it can enhance the quality of operation through redressal cell.

LIC may focus 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.

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