



Customer Preference for LIC Products in three Coastal Districts of Andhra Pradesh

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Abstract: The on-going economic reforms have their impact of all the areas of development in the country. The insurance industry one among them, where the private joint ventures of local and global are trying to share the most potential India's insurance market with well-defined products and benefits. Present paper makes an attempt to identifying the key factors influence the customer preference for life insurance products in India. The primary data collected from 300 respondents (policy holders) of the selected districts. Analysis have been made to the study by using the statistical technique of simple average and percentages for identified variables of customer preference to choose the LIC products and to suggest other significant attributes the customers preferred the most preferred Life Insurance in India. The study reveals the respondents highly preferred areas in choosing the LIC products are; public ownership, Brand image, range of products offer, premium amount and risk coverage and family protection. The just preferred area of respondents are 'Surrender value of policy 'and Transparent and Fair services. LIC need to extend the IT enabled quality services through huge network of branches and sales personnel and also time to evolve a policy for better benefit oriented surrender value to its customers.

Introduction

Today the Indian insurance sector has transformed into buyer's market, where the consumer has the choice to select from a variety of products, services and service providers. If the hype built around the private entry into insurance is believed, the consumer is expected to benefit in three ways i.e. more of choice, the easier access and better customer services through diverse products and varied distribution. An investor takes into account various factors while deciding about buying of a life Insurance product. These ranges of factors begin with investor perception; the promised returned the attractiveness of the offer. Generally, consumers do not evaluate all possible product attributes while making choice. Their preference should is guided by a set of "key attributes /variables" attached to the insurance product/plan. On these lines, the study have been taken to elicit the customer preference of the LIC products.

Methodology

The present study is explorative in nature and focuses basically on primary data about customer preference for life insurance in the north coastal districts of Andhra Pradesh. The study is based on

convenient sampling. A well-structured and pre-tested questionnaire was administered to the respondents for the collection of data. A sample size of three hundred policy holders has been taken for the purpose of the study. A representative sample has been drawn from each of the three districts on the basis of the population of these districts.

However, due to the constraints of time and cost, selection of respondents has been restricted only to some parts of the districts. In the present study a set of fifteen variables has been taken. These variables have been derived from various earlier studies conducted in India.

Challenges of Indian Insurance sector: The transition of insurance industry from a public monopoly to a competitive environment now is facing very interesting challenges, both to the new players and to the customer. The insurance penetration as well as the size of the average cover is well below international averages, providing a great marketing opportunity for the insurance companies. While LIC has done commendable work, there is still a great deal of scope for bringing in innovative products and distribution channels to tap the market. There is one truth in marketing and

that is “Different Consumers Approach Buying Differently”. Insurance is bought because of convenience, product placement, and safety of funds, advice and not the price.

Currently product- market relationship is dominated by personalised selling rendered by tied agents. Developing sensible approaches not only for the co-existence but flowing of multiple channels for sagacious and pragmatic propositions in product formulation, market segmentation by single distribution network will be an awesome challenge for the insurance companies. Also companies will have to transform customer relationship management to value based client relationship. Insurance business is based on averages and spreading of risks. So a flexible pricing structure for sustaining customer confidence and interest will be a challenging task before Indian Insurers. The benchmark of success of organisation will be determined not only by the rate of return but also by the quality of corporate governance. So, insurance company should focus on pricing, distribution, risk management and investment decision making.

Insurance companies in India need to develop appropriate channels to tap this huge market as the core of insurance business hinges on an efficient distribution.

Direct marketing is one of the most successful channels of distribution in the developed economies. It is a great way to reach a large population. So, the product should be sold through telemarketing or direct mail.

In the insurance business, cost control and ability to service large number of customers are crucial issues. So modern technology is to be adopted to handle both services effectively.

Today customers are well equipped with transformation, so insurance company should reposition different products by changing customer attitudes.

The actuary should be required to attend minimum number of seminars called continuous professional development courses financial control of the organisation.

Distribution of wide range of existing insurance products is the main cause of worry for insurance companies in India.

A Brief of LIC

Insurance business is an investment of “Trust” to its customers. With a view to protecting the interest of the insurance to the public, an ordinance was issued on 19th January, 1956 nationalising the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies and 245 Indian and foreign insurers in all. The LIC had monopoly till the late 1990s when the insurance sector was reopened to the private sector. Over a period of 58 years its existence with a customer base of thirty crores and 2048 branches besides 1242 mini branches. LIC maintains a track of individual and group policy holders of 29.61 and 11.54 lakhs respectively. LIC also contributes to the national development by investing in the areas of railways, power, infrastructure and rural development.

Results and Discussion:

The outcomes of the respondents have been tabulated and the derived percentages for the purpose of analysis and discussion. Some interesting outcomes have been identified from the Table: 01, the highly preferred variable among all the fifteen identified variables is the Risk Coverage and Family Protection, 66 per cent of respondents are highly prefer only for the financial support in case of risk to the policy holder. Another significant variable is Wide Range of Products, almost 64 per cent of respondent policy holders feel that the LIC caters the needs of Life Insurance by offering a good number of products within the reach of all income level groups in the society. LIC is a public owned insurance giant is other highly preferred areas where 62 per cent of respondents had strongly feel that their investment is in the safe hands of LIC, the same percentage of respondent policy holders also feel that Loan Facility on the accumulated policy amount is also their high preference. Among the selected respondents, 54.66 percent of respondents preferred LIC and its insurance products only because of its Brand and its deep penetration of products into the insurance market, the other most liked variable of dominant insurance organisation is the Premium, which is

affordable by all income groups in the society and this is highly preferred by 56.33 per cent of respondents. The opinion of 43 percent of respondents that the Behaviour of LIC staffs both marketing and administrative is other highly preferred area.

The other side of the customer preference of variables, it is interesting to observe that the 'Surrender Value' is serious point to consider, which is Just Preferred by 62.33 percent of respondents. The respondent customers have a strong feeling of dissatisfaction against the major Life Insurance service provider. They also feel that a very considerable percent of surrender value (lapsed insurance policies) amount is retained by LIC which is a hard earned and deemed saving amount of a policy holder. As remedy, the LIC is taking several measures like; extension of date for

payment of premium amount, conversion of one product into other similar product, and waiving of penalty on lapsed policies etc., to convert the lapsed policies into live policies. For this, the LIC administration is need revise the policies on the surrender value of the lapsed policies and those should be customer benefited. The other alarming area of customer preference is 'Transparent and Fair Services' of LIC.

Among the total respondents, 33.33 per cent of selected customer respondents just preferred this variable. Being a giant and age-old insurance organisation with 58 years of existence, with huge network of marketing need to consider the point, the LIC is need to rededicate to cater the best services to policy holders to retain and to increase the customer base.

Table – 1: Respondent customer Preference of LIC Products

S.No	Areas of Customer Preferred	Rating by Customers			
		Highly Preferable	Moderately Preferable	Just Preferable	Total
1	Public Ownership	186 [62.00]	71 [23.67]	43 [14.33]	300 [100]
2	LIC Brand Image	164 [54.66%]	81 27.00%]	55 [18.33%]	300 [100]
3	Wide range of LIC products	191 [63.67%]	48 [16.00%]	61 [20.33%]	300 [100]
4	Products for all	139 [46.33%]	112 [37.33%]	49 [16.33%]	300 [100]
5	Behaviour with customers by LIC Staff	129 [43.00%]	131 43.67%]	40 [13.33%]	300 [100]
6	Transparent fair services	106 [35.33%]	94 [31.33%]	100 [33.33%]	300 [100]
7	LIC network of Brunches	89 [29.67%]	137 45.67%]	74 [24.62%]	300 [100]
8	Customer relationship Mgt	99 [33.00%]	126 [42.00%]	75 [15.00%]	300 [100]
9	Premium amount	169 [56.33%]	72 24.00%]	59 [19.67%]	300 [100]
10	Bonds and extra risk coverage	111 [37.00%]	107 35.67%]	82 [27.33%]	300 [100]

11	Tax Benefit	96 [32.00%]	124 [41.33%]	80 [26.67%]	300 [100]
12	Surrender value	44 [14.67%]	69 [13.00%]	187 [62.33%]	300 [100]
13	maturity amount/assured return	91 [30.33%]	110 [36.67%]	89 [29.67%]	300 [100]
14	Risk coverage/ Family protection	198 66.00%]	59 [19.67%]	43 [14.33%]	300 [100]
15	Loan facility	62 20.67%]	189 [63.00%]	49 [16.33%]	300 [100]

Conclusion

From the above findings and analysis, it may be concluded that the variables of 'risk coverage and family protection is given as the highly preferred along with wide range of LIC products, loan facility, public ownership and brand image by the respondents LIC customers. The other high percentage of respondents were 'just preferred' variables in choosing LIC products are ; surrender value, transparent and fair services, maturity amount , assured return and tax benefit. The LIC is need to take stringent initiatives to tap its huge customer base as the LIC products are the most preferred to their competitors.

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