

Marketing Problems of LIC Agents

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Abstract: With a large population base and untapped market, insurance industry is having big opportunity in India for the domestic as well as foreign investors. Huge untapped population and low market penetration are the two main challenges of the Indian insurance industry. Selling insurance is an important, but challenging work. Marketing of life insurance product is critical and complex for various reasons that include time span, periodicity and potentiality of claims and higher brand switching costs affecting the buying behaviour. In the present scenario, insurance companies are facing problem of transiting from a perceived selling activity to a structured strategic marketing activity. The task of the insurance agent is to convert a suspect into prospect and prospect into LIC customers. The agents have faced various problems in their profession. This paper presents the problems faced by LIC agents while marketing insurance products.

Keywords: Liberalisation, Promotion, Place, Product, Price

I. Introduction

During the early stages of liberalization, LIC was having monopolistic position in the market. As people's perception of insurance have changed from an instrument of saving to a risk hedging tool, the new range of insurance products have emerged suiting diverse needs of consumers. Private companies like ICICI Prudential Life Insurance and Birla Sun Life Insurance, which were among the first batch of entrants, witnessed great success in securing new insurance business. While innovative products have been underpinning private insurer's premium growth, the threat of leasing market share has led LIC to become more competitive by developing new distribution channels like bank assurance. After the globalization and its reforms, emergence of on-line communities due to technological developments changed the market from buyer's to seller's market. The face of Indian consumer is changing. This change reflected in urban household patterns, consumption patterns and the saving habits of Indians. The profile of Indian customer is evolving over this. Customers are managing financial assets intelligently to maximize their returns along with comprehensive protection. Insurance has emerged as an attractive and stable investment alternative that offers total protection for life, health as well as wealth. These factors have contributed to changes in demand for insurance products.

The success of LIC depends on the agents who design the marketing strategies which focus on the needs of their clients such as education, home loan, marriage provisions, maximisation of wealth and savings for the future etc. The LIC has emerged with new and dynamic method of professionalism in marketing and introduced innovative products catering to the needs of different stages of life and to cover variety of risk. The marketing of LIC products requires extraordinary skills. Agent is an indispensable factor between the existing and potential customers of LIC. The competence and skills of the agent constitutes a critical element in promotion of insurance business.

Review of Literature

Sales personnel by providing enough information to the customers, enables them in forming their assessment about the products or services, which ultimately becomes customer value. Customer satisfaction and acumen orientation significantly influence the future business opportunities and if the salespersons are able to foster their relationships with the clients, clients will be more satisfied and more willing to trust, and thus secure the long-term demand for the services (Tam and Wong 2001). According to Crosby et.al. (1990) the lack of concreteness of many services of which insurance is one, increases the value of the persons responsible, for delivering them. Putting the customer first and exhibiting trust and integrity have been found essential in selling insurance (Slattery, 1989). In marketing life insurance, insurance agents are often considered to be marketing complex services (Nik Kamariah 1995). Insurance sales agents fully understand the customer's needs and requirements as well as build a trusting relationship between themselves and their clients to promote long-term mutually beneficial relationship (Crosby et.al.1990). The agent has to deal with the dilemma between making sales (self interest) and providing service (Oakes, 1990). Customers are, therefore, likely to place a high value on their agent's integrity and advice (Zeithamal et.al.1993). Insurance agents who sell policies are not employees of the insurance companies. Rather, they work on a commission basis and thus are motivated by the volume of sales made (Anvar, 2004). This is because, the insurance agents are involved in long-term

commitment and a continual stream of interaction between buyer and seller. After the sale, agents also provide follow-up service and help customers make policy changes in response to changing needs (Noor and Muhamad, 2005). The company-agent link is stronger than the agent-company link which in turn, stronger than the customer-company risk. Customer loyalty depends on how strong the agents link with customer is (Balachandran, 2004). Agents are the indeed ambassadors and the back bone of the insurance industry.

Objectives of study

1. To find out the problems faced by LIC agents while marketing its products and its relation with socio-demographic variable.

Hypothesis

The following hypotheses are framed and tested using One Way ANOVA.

Hypothesis (H₀) 1: Opinion on the identified latent reasons do not significantly differ among different educational levels.

Hypothesis (H₀) 2: Opinion on the identified latent reasons do not significantly differ among different servicing branches.

Hypothesis (H₀) 3: Opinion on the identified latent reasons do not significantly differ among different age groups.

Sample size

The determination of sample size is done by using the following Cochran formula

$$n = \frac{Nt^2 \cdot pq}{e^2 + t^2 \cdot pq}$$

N=2433, P=0.5, q=0.5, e=0.05 t=1.96
n= 331.77

The sample size is 331. The researcher used questionnaire to conduct the survey. While posting the responses, the researcher found errors in 53 questionnaires. Another 18 questionnaire were not received by the researcher with in the stipulated time period. For the analysis 260 questionnaires were considered.

Sample method

Simple random sampling method, probability based lottery method.

Universe for the study

The population of the present study includes LIC agents of Kanyakumari district.

Demographic profile of the respondents

Table.1.1 Demographic profile of the respondents

	Categories	Frequencies	Cumulative
Gender	Male	213	81.9
	Female	47	18.1
	Total	260	100
Age	18 to 25	8	3.1
	26 to 35	51	22.7
	36 to 45	99	60.8
	46 to 55	76	90.0
	Above 55	26	10.0
	Total	260	100
Education	Up to SSLC	79	30.4
	Higher Secondary School	50	19.2
	Graduate	86	33.1
	Post Graduate	45	17.3
	Total	260	100
Marital status	Married	236	90.8
	Un Married	24	9.2
	Total	260	100.0
Number of children	Below 2	76	32.2
	2 to 4	160	100
	Total	260	
Nature of family	Joint	125	48.1
	Nuclear	135	51.9
	Total	260	100
Main occupation of part time agents	Private Employee	26	29.5
	Business	10	11.4
	Labourer / Farmer	5	5.7
	Other	47	53.4
	Total	260	100
Work experience	0 to 5	30	11.5
	6 to 10	93	35.8
	11 to 15	94	36.2

	16 to 20	32	12.3
	Above 20	11	4.2
	Total	260	100
Servicing branch of the agent	Nagercoil – I	80	30.8
	Nagercoil – II	115	44.2
	Thuckalay	53	20.4
	Kuzhithurai	12	4.6
	Total	260	100.0

Source: Primary Data

Table 1.1 exhibits the profile of the sample respondents selected for the study. It is observed that out of the 260 selected agents, males constitute 81.9 per cent and females come to 18.1 per cent. From the Table, it can be seen that 90.8 per cent respondents are married. As to educational qualification 17.3 per cent are postgraduates, and 33.1 per cent are graduates. Also, it may be seen that 30.4 per cent have completed school education. Considering the type of family, 51.9 per cent are nuclear families. It is also observed that families having more than 2 members constitute 67.8 per cent. The classification of the sample based on their occupation shows that the majority of the selected agents are engaged in other categories of work (53.4 per cent), followed by private service (29.5 per cent) and business and self-employed (17.1 per cent). It is observed that 44.2 per cent respondents are serving in Nagercoil-II branch.

1.1 Analysis of the Problems Faced by LIC Agents

The problems faced by LIC agents have to be properly examined for some policy implications related to betterment of services offered by LIC. Even though there are numerable factors which affect the success of LIC, in this study, the antecedents of the problems faced by LIC have been examined with the help of variables related to the LIC agents only. Thus, the researcher has considered only 30 variables. For this analysis, the respondents were asked to rate these 30 variables at five-point scale according to their order of acceptance namely strongly agree, agree, neutral, disagree and strongly disagree. The assigned scores were from 5 to 1 respectively. The important factors (problems) faced by LIC agents have been analyzed with the help of the scores of the 30 problems. In order to classify these 30 problems into important factors, the Factor Analysis (FA) has been administered. Thus, the FA, a data reduction technique, is used to identify few factors that explain the majority of problems faced by the LIC agents. Initially, the sufficiency and suitability of data for factor analysis have been tested with the help of Kaiser-Meyer Ohlin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity. The Kaiser-Meyer-Ohlin Measure of Sampling Adequacy is a statistic, which indicates the proportion of variance in the variables, which might be caused by underlying factors. Bartlett's test of Sphericity indicates whether the correlation matrix is an identity matrix, which indicates whether the variables are unrelated. The table 1.1 shows two tests which indicate the suitability of data for factor analysis.

Table 1.1 KMO and Bartlett's Test

Kaiser-Meyer-Ohlin Measure of Sampling Adequacy		.606
Bartlett's Test of Sphericity	Approx. Chi-Square	9690.344
	Df	435
	Sig.	.000

The validity of data for factor analysis has been confirmed as the KMO measure (0.606) is greater than 0.5. Also, the Bartlett's test of Sphericity chi-square value (9690.34) is significant at 1 per cent level, which indicates that the variables are correlated and the obtained correlation matrix is an identity matrix. The executed EFA results in five important factors. The table 1.2 shows the Eigen values, variance explained, and cumulative variance explained for the factor solution.

Table 1.2: Identification of Factors and the Total Percentage of Variance Explained by Each of These Factors

Important Latent Problem (ILR)	Extraction Sums of Squared Loadings		
	Eigen value	% of Variance explained	Cumulative % of variation explained
1	9.068	30.227	30.227
2	3.934	13.114	43.340
3	3.316	11.053	54.394
4	2.752	9.174	63.568
5	1.823	6.076	69.644

The table 1.2 shows that there are 5 factors whose eigenvalues are above 1.00. Also, these five factors account for 69.644 per cent of the total variance. Thus, these five factors explain most of the variances that occur among all the identified variables. The variables under each of the five important factors are identified from the Rotated factor matrix. Table 1.3 shows the factor loadings of each of the variables and its corresponding factor. The correlation coefficients or factor loadings of all the variables indicated in the table 1.3 is used to formulate the factors. The variables that have large factor loadings for a particular factor or component are grouped together and taken as a single factor. Table 1.3 also reports the factor loadings for each variable on the components or factors after rotation. Each number represents the partial correlation between the item and the rotated factor.

Table 1.3: Identification of Factor Components and Their Factor Loadings from the Rotated Factor Matrix

Variables	Components (Factors)				
	1	2	3	4	5
Bancassurance can be the cost-effective channel in providing better services and increase in income of LIC	.676	.138	-.178	.565	.229
Behaviour of the supportive staff is inadequate.	.184	.386	.738	.036	.251
Big customers are captured by the corporate agencies	.806	.039	.050	.094	-.141
Commission in LIC is very less.	.132	.833	-.040	-.277	.146
Customer services are very poor in LIC	.092	-.072	.654	.066	-.028
Difficult to achieve the target fixed by the LIC	.746	.097	.234	.127	.024
Direct marketing by LIC is a problem to meet more customers	.630	-.113	-.047	.287	.481
Discrimination with regard to commission to different policies.	-.185	.789	.024	.217	.241
Facing difficulties in convincing the prospects into customers.	.282	.362	-.067	.755	.092
Facing difficulties to explain about the nature of different policies with the customers	.506	-.015	.470	-.400	.219
Feedback from customers is not effectively used to improve the service standards of LIC	.711	.057	-.165	.506	.250
Good health is necessary because more travel is necessitated to meet different customers	.530	-.196	.238	-.266	.006
Grievances of the customers are not redressed within a short period of time by LIC office	-.041	.233	.735	.129	.226
Incentives for performance are not adequate	.075	.822	.044	-.242	.103
Ineffective redressal system for agents	.158	.275	.843	.059	.138
Initial premium for policies of the customers of new customers are to be paid from the agent's pocket	.222	.570	-.286	.039	.110
Inordinate delay in the processing of loan applications of policy holders by LIC	.160	.331	.228	.784	-.032
Investment in LIC is not profitable.	-.186	-.571	-.436	-.033	-.269
LIC is offering less attractive products.	.525	.092	.280	.531	-.121
Location of the branch office is inconvenient	.037	.244	.165	.532	.559
Parking facilities at branch office is inconvenient	-.192	.351	.273	.324	.565
Percentage of commission is not increased year after year	.593	.040	.192	.418	.107
Premium for LIC is high.	-.167	.648	.283	.401	.068
Promotional measures are very poor in LIC.	.676	-.088	-.010	.200	.478
Renewal commission on policies is not reasonable	.573	.301	.406	.444	-.032
Revival for lapsed policy is very difficult.	.242	-.036	.537	.715	-.057
Sometimes agents face rivalry from other agents in carrying on their business	.889	.019	.064	.066	.012
Surrender value of the policy is very low	-.127	.579	.273	.257	.280
The conditions imposed by the LIC for the agents to retain the agency are cumbersome	.063	.372	.720	.077	-.015
There is no limit for working hours	.670	.265	.209	-.241	-.362

Source: Computed Data, Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

The identified factors or the important latent problems are labelled and the numbers of variables under each factor are stated in table 1.4.

Table 1.4: Factor Identified and Labelled

Sl.No.	Factors Identified and Labelled	Number of Variables under the Identified Factors
1	Promotion	12
2	Price	7
3	People	5
4	Product	4
5	Place	2

Source: Computed Data

It is observed from the table 1.4 that the first important factor identified is price and its Eigen value is 9.068. This factor alone explains the 30 variables included for the analysis to the extent of 30.227 percent since its per cent of variance explained is 30.227. The next most important identified factors are promotion and product as their Eigen values are 3.934 and 3.316. The percent of variance explained by the aforesaid factors are 13.114 and 11.053. The last two identified factors are place and people and their respective Eigen values are 2.752 and 1.823. The percent of variance for the last two factors are 9.174 and 6.076 respectively.

II. Differences Among Problems Faced by LIC Agents

The identified five latent reasons i.e. promotion, price, people, product and place may vary due to many profile variables. Thus, an attempt is made to know the existence of the differences among the profile variables such as servicing branch, age and education. The one-way ANOVA test was conducted to examine whether there exist any differences among different groups of age, education, and servicing branches with regard to the identified latent factors. The calculated F-ratio if significant indicates that the means between the different groups are not equal. The One-way ANOVA results are shown in table 2.1.

Table 2.1: One-Way Anova Between Selected Profile Variables And Identified Latent Factors

Identified Latent Factors	Servicing Branch	Age	Education
	F	F	F
Promotion (X ₁)	.972 ^{NS}	.452 ^{NS}	.236 ^{NS}
Price (X ₂)	.478 ^{NS}	.577 ^{NS}	.710 ^{NS}
People (X ₃)	1.374 ^{NS}	.596 ^{NS}	.313 ^{NS}
Product (X ₄)	.860 ^{NS}	.555 ^{NS}	.248 ^{NS}
Place (X ₅)	1.123 ^{NS}	.685 ^{NS}	.489 ^{NS}

Source: Computed Data, NS = Not Significant, *Significant at 5 % level, ** Significant at 1 % level

From table 2.1, it is observed that there is no significant difference among different groups of age, education, and servicing branches with regard to the identified latent factors. The F-value for all factors are non-significant. This shows that the problems faced by LIC agents do not vary for different servicing branch, age groups and educational level of LIC Agents. Thus, we can state that Hypothesis (H₀) 1, Hypothesis (H₀) 2 and Hypothesis (H₀) 3 have been accepted. In effect the opinion of LIC agents on the identified latent reasons do not significantly differ based on their servicing branch, age group or educational level.

Suggestions

- LIC has to concentrate on the development of the agents, who are the prime and the principal promoters of the LIC policies at the grass root level to fit in this global market and to challenge the worldwide competition.
- Agency job can be made attractive to the educated youth by giving job-option of becoming a development officer or a branch manager on the basis of their education along with a consistent achievement of the stipulated higher performance.
- Appropriate and regular training and development programmes must be designed and implemented intensively to stimulate the dormant agents who are just fulfilling the minimum requirements, instead of the present system of motivating the high performers, who are only twenty percent.
- Special developmental programmes in the form of refresher courses can be planned to strengthen the relationship between the organisation and the agents to improve their attitude towards the job, the organisation and the professional status.
- Moreover, steps can be taken to impart the importance of relationship marketing and persuade the agents to spend enough time in servicing the old customers.
- 260 Agents must be encouraged to become members of the professional club like Rotary, Lions, Arima Sangh and welfare groups, which will facilitate the direct penetration among the members of the clubs with higher income strata and indirectly to the people at large by participating in the social welfare activities.
- The programme of sales promotion has to be modified to encourage the agents to sell all the varieties of policies offered by the LIC in addition to the present system of the number of policies sold and the quantum of the sum assured mobilized.
- The LIC has still to be innovative in product development to offer cost effective policies to cover even the irregular and the low-income group of people.
- Besides, the commission rates on different policies should be modified suitably so as to make the agents concentrate uniformly on all the kinds of policies.
- Moreover, special type of field employees can be appointed to awaken the insurable population to the insurance needs and to do consumer education about the different types of policies and their unique advantages.

III. Conclusion

This study has provided comprehensive information about the factors behind the success of the LIC agents in the study area and opened new vistas for understanding the marketing problems of the LIC agents. Now IRDA has standardized the norms for the selection, training and development of the insurance agents. Vigorous competition has also been triggered off among the life insurers including LIC. In this regulated life insurance business, the personality of the LIC agents may have an impact on the marketing performance.

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