



Expectations and satisfaction of customers of Life Insurance Corporation of India: An analysis

Shikha Kumari¹, Dr. Sunil Kumar²

¹ Research Scholar, Department of Commerce and Business Administration, Lalit Narayan Mithila University, Darbhanga, Bihar, India

² Assistant Professor, Department of Commerce, Ram Krishna College, Madhubani, Bihar, India

Abstract

Since customers are so essential to life insurance' performance and sustainability, it's essential to evaluate their dissatisfaction with many elements of service quality in the industry. Customers' satisfaction in the insurance companies isn't a figment of the imagination. Though insurance producers have treated the "customers" as all behaviours were developed to accommodate a sovereign. or her, in order to give this idea traction, it is necessary to understand the client's satisfaction in terms of various elements and features, and therefore on service. Customer's happiness is measured by customers' loyalty, engagement, brand loyalty, and organizational performance. A service, unlike a product, will contain a variety of intangible or qualitative specifications.

Despite the increase in price competition, the study shows that major public sector LIC dominates the Indian insurance industry. In today's business environment, directly benefit has become a critical part of maintaining customers and providing attractive services and high-quality facilities. Due to increased competition, a wide range of policies and goods offers, and a variety of distribution methods, enterprises prefer happy but productive patrons. Competitiveness, a wide range of regulations and material supplies, and a multitude of channels of distribution, organizations prefer delighted and prosperous consumers.

Keywords: Customer Relationship, Customer Service, Expectations and Satisfaction, Marketing Challenges, Quality of Service

Introduction

Insurance is an essential growing part of the financial sector in almost all the developed and developing countries. A resilient and well-regulated Insurance industry can considerably contribute to economic growth and resourceful allocation through transfer of risk and mobilization of savings. In addition, it can improve financial system efficiency by reducing transaction costs, creating liquidity and facilitating economies of scale in investment.

On 20th January 1956 all life insurance companies were taken over by 43 nominated custodians. The custodians were, experienced senior executives of private insurances, reporting directly to the Finance Ministry. The custodians managed the insurance companies till 1st September 1956, when Life Insurance Corporation was established under the general direction and control of the Ministry of Finance. The ordinance provided for the transfer of the control of 154 Indian insurers, 16 non-Indian insurers and 75. Provident Societies (in total 245). The newly Incorporated Corporation had the following features:

- The Corporation, a body corporate shall consist of not more than 15 members appointed by the Central Government, one of them being appointed by the Government as Chairman.
- The capital of the Corporation was at Rs. 5 crores provided by the Central Government.

In 1993, Malhotra Committee, headed by former Finance Secretary and RBI Governor R.N. Malhotra, was formed to evaluate the Indian insurance industry and recommended its future directions. In 1994, the committee submitted the detailed recommendations under the following heads

1. Structure,

2. Competition (Private Companies with minimum paid capital of Rs 1 billion should be allowed to enter the industry),
3. Regulatory Body,
4. Investment Portfolio Charges, and
5. Customer Service.

Opening up of insurance sector took place in the year 1999, The incorporation of the Insurance Regulatory and Development Authority as a statutory body has fastidiously stuck to its schedule of framing regulations and registering the private sector insurance companies. Now, it is the authorized body having wide range of powers start from giving licence to insurance agents, ensuring investors protection and even suggesting the different portfolios in case of ULIP's. The emergence of IRDA did a lot of changes in the insurance industry in India viz.

1. Entry of private companies,
2. Lifting of barriers to foreign investment and moreover, and
3. The monopoly status of LIC of India was removed.

History of LIC of India

The first 150 years of British rule in India were characterized by turbulent economic conditions. The first war of independence in 1857, the World Wars I and II (1914-1918 and 1939-1945) and India's national struggle for freedom. In between it had an adverse effect on the Indian economy. In addition to the period of worldwide economic crisis the two world wars termed as the period of great depression that led to the high rate of bankruptcies and liquidation of most life insurance companies in India that existed during that time. These occurrences led to loss of faith in insurance.

The Life Insurance Company's and Provident Fund Acts were both passed in 1912 provided regulatory mechanisms to the life insurance industry in India for the first time. After undergoing several reforms in the following decades India achieved Independence, the Parliament of India passed the Life Insurance of India Act. The Life Insurance Corporation of India was incorporated on 1st September 1956, and it began its operations with 5 zonal offices, 33 divisional offices and 212 offices.

Present Status of LIC of India

Existing as a towering insurance company for over 70 years, LIC has acquired almost monopoly power in the solicitation and sale of life insurance policies in India. The present status provided a beginning to LIC has extended its activities in 12 countries other than India with the objective of catering to the insurance needs of non-residents Indians. The enforcement of new economic reforms in 1991 coupled with the formation of Insurance Regulatory and Development Authority Act (IRDA) of 2000 (which started issuing licenses to private life insurers) has diluted the monopolistic attitude commanded by LIC. The only insurance company belonging to the public sector now has to compete with several other corporate entities of its kind

LIC of India vs Private Insurance Companies

LIC of India is rated among the top life insurance company in India. There are more than a dozen insurance players in India. But most of them are posting loss year after year. They cannot see a breakeven point. Most prospective insurance buyers are not aware of the below fact and financial figures.

The insurers always buy Life insurance Policy from LIC of India to plan a safe and secure future for family. LIC of India is the fourth largest insurance company in the world. As of March 31, 2025, the Life Insurance Corporation of India serves over 20 crore unique customers with 26.15 crore in-force individual policies and 9.21 crore group insurance lives. It maintains an agency force of approximately 1.43 million agents and historically highlights a claim settlement speed of 2.21 claims per second. So, when the insurers buy insurance, they should know the fact whether insurance company has the capacity to settle claim quickly and in full amount unlike other insurance companies who do not have capital reserve to pay in full.

The Life Insurance Corporation of India founded in 1956 is the largest Life Insurance Company in India owned solely by the Government of India. Headquartered in Mumbai, which is considered the financial capital of India, LIC presently has eight zonal offices and 113 divisional offices situated all over the country. The distribution of 2048 branches located in different towns and cities of India. LIC also has a network of approximately 1.43 million agents who solicit life insurance policies to the public.

Quality Dimension of Services

The Service Sector which includes banking, insurance, transportation, health care, hotels, tourism, software and other knowledge-based industries are already the largest and fastest growing sector in the Indian economy, while both manufacturing and agriculture are declining in the market share.

Almost 40 per cent of India's hard currency earnings come either from tourism or exports of garments, handicrafts, leather, gems and jewellery, software and engineering consultancy. In these areas, costs are becoming increasingly subsidiary, and service attributes such as trust, responsiveness to complaints, delivery schedule and quick adaptability to changing needs are becoming increasingly important.

With the advent of industrial revolution in the eighteenth century, dramatic changes took place in production. Consequently, service sectors namely, financial structures, transportation and communication networks developed appreciably.

This all-round development has ultimately made available the benefits of large scale production. After the Second World War, there has been a shift in importance from the traditional manufacturing to service-based enterprises. Countries like USA, UK, Germany, Canada, Sweden etc. have changed from being 'goods dominated' to 'service dominated'. The developed economies are renamed as service economies which make significant contribution in terms of employment and Gross Domestic Product (GDP).

The present day LPG era is highly witnessing the growth of service sector throughout the world. The trends in the business world today are:

1. The globalization of business
2. The rapid pace and diffusion of technology, especially information technology and communications and
3. The increasing expectations of customer as a result of better information and more choices in the marketplace.

The share of the service sector in the overall economic growth of the country is significant and is increasing rapidly, though remains to be done about improving its quality. Fortunately, India could learn a lot about quality in services from the experience of other developed countries. Only very recently service quality has been considered as important national and corporate agenda. Quality of public services were rated extremely poor, even the private sector's is no better.

What Constitutes Poor Service?

The followings are the symptoms of poor quality services.

- An absence of responsiveness to and the timely follow-up of customer need
- Forcing customers to adjust to your convenience, schedule and methods, rather than the other way around
- Passing the buck, with nobody taking any responsibility
- Making the customer feel that his business is not very important for the company
- Being inflexible and bureaucratic and
- Not providing adequate training information and resources to the frontline staff, who are the first 'point of entry' into any company.

What Constitutes Quality Dimension of Service?

Good service means that the buyer-seller interaction should be managed in such a way that it makes the associated economic business transactions in

- Smooth
- Hassle free
- Emotionally satisfying for the customer

Good service means making the customer like you and want to do business with you. Its dimensions are Politeness Responsiveness Promptness Caring and commitment towards customer Designing system, procedures and responses for the service rendered.

Marketing Challenges in LIC

Nowadays, Life insurance plays a vital role in the Insurance Industry. The Life insurance contract is of utmost good faith.

The Life insurance Industry's inability in marketing is a significant reason for the slow growth of the industry from the marketing perspective. There are twenty five life insurers other than LIC in India. The statistical information provided by the insurer states that the growth in the industry is not satisfactory in spite of enormous marketing potential. The major importance of the marketing concept is customer satisfaction "Customer is the King". The four pieces of the marketing mix that is Product, Price, Place and Promotion are the challenges faced by the life insurance Industry in India.

The Insurable interest in a life insurance contract is based on the ability to pay the premium and is not based on the contract.

The financial sector plays an important role in the functioning of the economy because it allows a more efficient transfer of resources from savers to investor. The financial sector comprises of banking as well as non-banking financial institutions. Nowadays non-banking financial institutions (NBFI) have emerged as a specialized financial institution. They are playing a significant role in the pace of growth of the financial institutions, such as development of the financial institutions and merchant banks insurance institutions etc.

Insurance plays a major role in non-banking financial institutions. Insurance is classified into marine insurance and fire insurance. Life insurance plays an important role in the socio economic development.

Marketing challenges is important in the marketing concept when the private insurance company enters in the insurance industry. It forces various types of challenges, like advertisement, premium collection and policy holders coverage. Claim settlement is also another challenges forced by both private and public sector like life insurance corporation of India.

Advertisement

The role of advertisement in this industry is minimum since advertisement is an invitation to an offer.

Advertisement is an elaborate explanation about the product. It cannot be explained in detail, and an understanding cannot be created to all the customers who are diversified in education, income, social status, place of residence, vocation pursued etc. Thus, the scope of advertisements certain only to the name of the company's broad classification of products and the name of the products.

Sales Promotion

Sales promotion is another challenge faced by the insurance industry. Sales promotion is an allowance given by the manufacture of the products to the services to the customer and wholesaler retailers. Salesmen in these industries is not giving allowance but the company gives direct incentives to

them. The channel members get only commission and other allowances.

Personal Selling

Personal selling is also another marketing challenge in life insurance industry. The demand creation tool is the most important marketing mix variable which runs the entire industry. Indian Life Insurance Corporation, survive due to the effectiveness of personal selling. Life insurance company agents are in the business due to the commission provided by the firms. Though this promotional tool is effective it has not reached the masses. In the Life insurance industry, the agents face the marketing challenges directly; it means he faces the customer directly.

Various Marketing Challenges

1. Industry Challenges

- Commercialization in personal line products
- Shifting consumers requirements
- High trend competition
- Global economic meltdown

2. Business Challenges

The main key business challenge for most of the insurant is to reduce the turnaround time, improve their speed to market their distribution, to channel the pressure and to take up emerging consumer demands for mass consumerism, product development. This will lead to complete advantages.

Process Challenges

Lack of stream linked process change and manage automated process confirmed repository. Life insurance is different from other types of insurance, because the subject matter of insurance is the life of a human being. Life insurance today commands the greatest popularity and importance in the insurance world because life is the most important property of the society or an individual. It is a contract in which one party agrees to pay a given sum and another party agrees to pay a given sum upon the happening of life in exchange of the payment of consideration.

LIC: Expectations and Satisfaction

Indian economy is growing rapidly, so the Government is recognizing the need to improve the infrastructure and taking steps towards public and private partnership. If the infrastructure does not improve, this could slow down the progress of Indian economy in the coming years. India needs a huge investment to spend on plants, roads, ports etc. The insurance industry has a major role to play as it provides long term funds for infrastructure development. The insurance industry moved into a higher growth and development in recent years. Foreign investment in the insurance industry is permitted upto 100% of equity. Global insurance firms have rushed into Indian market and to capitalize the sizeable middle class-Indian private companies have also entered in the insurance sector. Now-a-days the public sector like Life Insurance Corporation of India (LIC) and various private insurance companies competes with one another to satisfy the customer.

LIC has mentioned that the marketing performance of the LIC has increased over the last few years. Opportunities and challenges stressed that co-operative sector and micro credit organization might penetrate in rural areas by formulating

low cost policies. LIC also stressed that good customer service and information technology might help insurance companies to penetrate of insurance production into urban areas.

Challenges of competition and future scenario concludes that the limited availability of data on policy holders are the major problem of the insurance industry in marauding its products.

Service organizations in India are facing tough competition in the global market because of liberalization and globalization of the Indian economy. Hence it is helpful for service organization to know the customer service in order to overcome the competitors and alert the customer. Indian service industry has been opened for Multinational Companies (MNC) to compete with the advance foreign service industry. India has been forced to adopt the service quality management program.

Several authors have discussed the unique importance of quality to service firms and have demonstrated its positive relationship with profits, increase market share, return on market share, return on investment (ROI). In customer satisfaction and purchase intentions (Rust and Oliver, 1994). "Because of service qualify the service the customer are attracted by the insurance industry both private and public sector."

Service and customer satisfaction are related to both private and public sector, In private sector the service is better because the formalities and claim settlement are easy and quick. In case of public sector major part goes for the securities of the customer. The policy holders prefer the Government participate insurance industry service because there is security for money.

The business of insurance is related to the production of the economic value of assets. It means of providing protection against financial loss in dual verity of situation. It is a cooperative method for spreading over the loss caused by one or more. It is caused by a particular risk over a number of persons who are exposed to and who agree to insure themselves against the risk.

Now-a-day's insurance industry plays a vital role in the modern society Life Insurance assures to replace income lost to a family, if the policy holders meet with an unconditional incident. Customer attitude is changing in the customer satisfaction differ from consuming the product to utilization of the service. The present situation predicts that the customer satisfaction is a tough in nature. Customer satisfaction is changing in nature and the prediction of customer satisfaction is very difficult. What the customer expect is difficult to ascertain in the Indian insurance industry.

Customer Service

In every service industry, customer is always the king and customer service is the key to the success. This is also true in the Indian Insurance industry. In non-service segments or where there is a "Tangible Object" available with the customer the question of service does not arise largely though it cannot be completely ruled out. However in segments like hospitality industry and insurance the world service attains great importance. The customer service is good as well as quality and timely service is the very essential service needed by the insurance customer.

Customer Relationship

The investments are clubbed as a part of either marketing cost or operation cost and sometimes even as a technology cost. If proper service is provided the customer satisfaction level increases simultaneously. Customers are available in large numbers, the customer relationship builds up automatically and this leads to customer satisfaction.

The pre-sale service and post-sale service are two stages which are very essential for the customer satisfaction in claim settlement. In the claim settlement procedure the customer concentrate in the future expectation. Most of the insurance industry try to have and quick claim settlement procedure because timely quick disposal of claim settlement plays an important role in customer satisfaction.

Conclusion

LIC is a boon to people as well as the Nation. Life Insurance is the only insurance that helps a lot to the insurers till death even after so. Moreover, in the emerging technology, LIC plays a vital role in changing the life of middle class and downtrodden. LIC has its own unique features even after many private insurance sectors are established since 1956. We may opine that LIC is fly over where many people travel on it safely with all its facilities.

Privatization of life insurance sector seemed to be good from every aspect. The consumers are still not very sure about the promises as the customer taste and style changes from time to time. The point of view of the consumer and new companies are major marketing challenges in the insurance industry. Each and every thing of the customers' point of view is taken into consideration for the marketing challenges in the insurance industry.

Ultimately effective customer relationship is very essential part of customer satisfaction. Usually, customer satisfaction depends upon the service provided by the insurance industry and also takes care of the customer after taking policy. The policy holder that is the insurance customer is expecting in the service also. The private sector and public sector compete to satisfy the customer. The insurance sector which satisfies the customer succeeds in the Indian Insurance Industry.

References

1. Anjappa G, Prathapan M. Consumer preferences in life insurance. *Journal of Business Innovations*. 2024;12(1):13-22.
2. Bajpai S, Mazhar SS. Marketing strategies of life insurance companies. Lucknow: Book Rivers; 2022.
3. Banana K, Naik RV. A study on customer perception on life insurance policies in India (with reference to Prakasam District in Andhra Pradesh). *International Journal of Research in Social Sciences*. 2018;8(1):56-78.
4. Choudhary PS, Parida BB. Evaluation of customers' expectation-perception score on service quality in Life Insurance Corporation of India. *International Journal of Marketing and Business Communication*. 2014;3(3).
5. Choudhuri PS, Dasguptha T. Relative importance of service quality dimensions from life insurance customers' perspective: a study on Life Insurance Corporation of India. *Burdwan SIT Journal of Management*. 2013;3(1):258-272.
6. Ganeshan H, Nagarajan S. A study on customer perception on service quality with reference to public

- insurance sector in Coimbatore District. *International Journal of Management Research and Reviews*. 2017;7(4):513.
7. Jayapriya CK, Chandni PS. A study on the awareness, preference and satisfaction of policy holders towards LIC with special reference to Malappuram District. *International Journal of Research-Granthaalayah*. 2016;4(10).
 8. Joshi M, Joshi T. Life insurance in India: performance and investment pattern before pandemic 2000. Chennai: Notion Press; 1999.
 9. Parida TK, Acharya D. The life insurance industry in India: current state and efficiency. London: Palgrave Macmillan; 2017.
 10. Rana J. Life insurance in digital India. Chennai: Notion Press; 2018.
 11. Sadhak H. Life insurance in India: opportunities, challenge and strategic perspectives. New Delhi: Sage Publications; 2009.
 12. Selvarani C, Riswana Parvee A. A study on customer satisfaction towards LIC with special reference to Villupuram. *International Journal of Multidisciplinary Research and Development*. 2017;4(10):84-87.
 13. Sri Chandan S, Mishra DP. Life Insurance Corporation of India: a critical analysis. New Delhi: Kunal Books; 2018.
 14. Suthakar S, Ragunathan T. Service quality and customer behavior towards LIC. *International Journal of Research and Analytical Reviews*. 2020;7(3):2456-2461.
 15. Tiwari S. Insuring lives: a comprehensive analysis of life insurance of India. New Delhi: Satyam Law International; 2025.
 16. Valand JB. Aspects of insurance and customers' perceptions about insurance in India. Lunawada: Redshine Publications; 2023.
 17. Vasavi V. Performance of Indian life insurance industry: a perspective. Lucknow: Book Rivers; 2022.
 18. <https://www.licindia.in/>