

# APPROACHES AND PRACTICES OF AGENTS OF LIC INDIA IN MARKETING LIFE INSURANCE

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## ABSTRACT

*Individual agents play vital role in marketing life insurance products of LIC India. The size of business of LIC, to great extent, depends on the approaches and practices of agents, especially individual agents, in marketing life policies. As they are the last link in the marketing chain to deal with policyholders, they should be well known of methods, techniques and tactics of assessing needs and wants of potential and existing customers and must be capable to respond to it at the earliest positively leading to customer delight. The article examines the practices followed by agents in prospecting a customer, dealing with complaints of customers and criteria used by agents in recommending a life insurance policy.*

**Key words:** size of business, marketing chain, customer delight

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## INTRODUCTION

Marketing life policies is not as easy as tangible products due to its special characteristics. Apart from having knowledge on life products, agents should be able to assess the tastes and preferences of customers (existing and potential) and respond to demand to their expectation. They should have basic skills of catching a prospect, dealing with customer grievances and complaints and resolving them in such a way that it doesn't affect the individual business adversely. There are multiple means through which an agent can enhance his customer base. It is to be noted that it is vital to retain the existing clients along with adding new ones. It is common to have problems at any of the products or services rendered by LIC officials or agents. An agent should be able to reconcile the problem(s) before affecting corporate image. While recommending a policy to a customer, agent should be utmost careful in assessing the apt need of the client so that a product is said to be sold in true sense i.e. customer should feel delighted on the purchase of product than with a feeling of loss of money or wise investment.

### Review of Literature

Review of Literature provides a critical summary of research already done on the relevant topic. The primary purpose of literature is to gain a broad background available related to problems in conducting research. Thus it facilitates selecting a problem and its purpose, developing a framework and formulating a lesson plan.

Shri Sankar Das(2004) in his article Role of agents in competitive regime illustrates the attributes of insurance professional, area of concern for agents and remedies and contributions of agents to LIC of India.

Rao, B.V (2005) indicates that the performance of the LIC of India depends purely on the performance of its agents. The number of agents has increased from 533133 in 1996-97 to 1003241 in 2003-04; the average business per agent has increased from Rs 1064284 to 2197675 during the same period. The study also reveals that 15 per cent of the agents of the LIC of India are highly productive and the remaining 85 per cent are less productive. In a nut shell, the former agents brought 61 per cent of the new business while the remaining 85 per cent contributed only the remaining 39 per cent.

Suri Seeta Ram (2005), in his article on "Life as a Life Insurance Agent - Difficulties, Challenges and Rewards Galore", describes clearly his personal growth as an insurance agent while thanking his mentors for honing professional



skills. Two basic lessons that almost all the agents are coerced into learning are 'Rebate' and 'Wrong Medicals'. These are lessons that are very hard to unlearn. He emphasizes that the purpose of life insurance is not just tax relief and savings, but a lot more to think and learn.

### **Importance of the Study**

The study examines the approaches and practices of agents in marketing life insurance products. They should have right perspective in approaching customers (existing or potential), solving their grievances. They should also be able to build confidence among customers conveying right information on the product sold and ensure that the customer is delighted on the product bought. LIC India has vital role in building such right perspective among agents by designing and implementing appropriate training programmes. As such the study will be helpful in identifying bottle necks in the approaches of agents and retuning the same in right direction.

### **Objectives of the Study**

To identify the nature of objection raised by customers as perceived by agents in relation to marketing mix elements of LIC

To identify the most preferred method of handling objections of customers among agents of LIC India.

To identify the most preferred method of catching prospect pursued by agents in marketing life insurance products

To identify the criteria mostly depended on by agents in recommending a policy to their customers

### **Methodology**

The population of individual life insurance agents consists of the total number of individual agents serving in the branch offices of the Life insurance Corporation of India in Kerala. The modified data after Reliability Analysis, collected from the 150 respondents, were studied in detail to identify the extent of variations in the responses. It may be stated that the sample size was proportional to the level of variation and the assumed level of error of the estimate of the population parameter of the study variable. For an assumed level of 5 per cent error in the estimates of the means of responses using the information on variances from the pilot study, the sample size was obtained based on each response. The calculated sample size of 308 was the maximum among the sample size obtained from responses of all the statements and finally sample size was fixed at 310 for the agents.



The LIC has 5 Divisions in Kerala, viz., Thiruvananthapuram, Kottayam, Ernakulam, Thrissur and Kozhikode. One branch under each Divisional office was taken at random for the study. A sample size of 310 agents was fixed statistically to represent the whole population. Multi-stage random sampling method was applied for the selection of sample agents. In the first stage, Kerala was divided into 5 Divisions based on the number of Divisional Offices under the LIC. In the second stage, one district was selected at random from each Division. In the third stage one branch office each was selected from the districts identified; and finally, the sample size was allocated proportionate to the number of agents in each branch selected from the district.

## DATA ANALYSIS

### Form of Objection Raised by Customers during Marketing Policies

It is usual that customers raise questions while committing an investment. Objection is the best way to identify the actual state of the potential investor and thus it serves as opportunity. They provide valuable hints in the formulation and successful implementation of strategies. The Table outlines the major possible objections faced by agents in their course of marketing life insurance products and services.

**Table 1 Objections Raised by Customers**

| Objection- Degree | Very High       | High          | Medium           | Low              | Very Low         | Total    |
|-------------------|-----------------|---------------|------------------|------------------|------------------|----------|
| Product           | 26(8.4)         | <b>65(21)</b> | <b>102(32.9)</b> | 55(17.7)         | 82(20)           | 310(100) |
| Person            | 8(2.6)          | 39(12.6)      | <b>98(31.6)</b>  | 79(25.5)         | 86(27.7)         | 310(100) |
| Place             | 18(5.8)         | 31(10)        | 49(15.8)         | 97(31.3)         | <b>115(37.1)</b> | 310(100) |
| Process           | 38(12.3)        | 42(13.5)      | <b>116(37.4)</b> | 79(25.5)         | 35(11.3)         | 310(100) |
| Price             | 33(10.6)        | 51(16.5)      | <b>127(41)</b>   | 65(21)           | 34(11)           | 310(100) |
| Promotion         | 13(4.2)         | 44(14.2)      | 55(17.7)         | <b>109(35.2)</b> | 89(28.7)         | 310(100) |
| Physical Evidence | 18(5.8)         | 55(17.7)      | <b>81(26.1)</b>  | 77(24.8)         | 79(25.5)         | 310(100) |
| Return/Liquidity  | <b>56(18.1)</b> | 77(24.8)      | 97(31.3)         | 54(17.4)         | 26(8.4)          | 310(100) |

Source: Primary Data



**Note: Figures in parenthesis represent percentage to total in respective rows**

The analysis reveals that most of objections from the part of customers arise from the aspect of “return/liquidity”. This implies that the policyholders are not satisfied with the return aspect of life insurance products, as its long-term investment period takes away the scope of easy liquidity in the form of maturity closure. Objections as to product stand second to return/liquidity. As far as promotion and place are concerned the level of objection is low.

### Method of Handling Objections Raised by Customers

The approach of agents in handling objections raised by customers has a significant impact on the customer base of agents and the level of satisfaction of the policyholders. Even the LIC imparts training at periodical intervals as to marketing insurance products and handling clients; how far it has been utilized by agents in the field is important from the perspective of marketing. The analysis exhibits a few common approaches followed by agents in handling objections raised by customers as Avoid customer raising objections (ACRO), Postpone the answer to the objection (PAO), Not answer and excuse objection (DAEO), Disagree with not being agreeable (DANBA) and Substantiate by bringing to the right point (SBRP) during the process of marketing and servicing policies.

**Research Hypothesis: There is difference in the median responses for method of handling customer objection among the 5 divisions**

Table 2 Methods of handling Objections Raised by Customers

|   | N   | Mean        | Std. Deviation |
|---|-----|-------------|----------------|
| Avoid customers raising objections          | 310 | 3.69        | 1.468          |
| Postpone the answer to the objection raised | 310 | 3.33        | 1.003          |
| Not answer and excuse objections            | 310 | 3.40        | .982           |
| Disagree with not being agreeable           | 310 | 2.95        | 1.257          |
| Substantiate by bringing to the right point | 310 | <b>1.52</b> | 1.120          |

Source: Primary Data

Table 3 Ranks on Method of Handling Objection

| Method Of Handling Objection       | Division      |        |        |        |        |
|------------------------------------|---------------|--------|--------|--------|--------|
|                                    | EKM           | KTYM   | KKD    | TSR    | TVPM   |
| N                                  | 52            | 61     | 84     | 59     | 54     |
| Avoid customers raising objections | <b>132.92</b> | 171.83 | 136.05 | 170.87 | 172.26 |



|   |        |               |               |        |        |
|---|--------|---------------|---------------|--------|--------|
| Postpone the answer to the objection raised | 179.34 | 185.84        | <b>107.88</b> | 152.83 | 175.28 |
| Not answer and excuse objections            | 151.56 | <b>127.95</b> | 180.54        | 167.27 | 138.6  |
| Disagree with not being agreeable           | 144.06 | <b>117.13</b> | 208.46        | 144.98 | 138.97 |
| Substantiate by bringing to the right point | 159.22 | 158.64        | 153.1         | 160.34 | 146.82 |

Source: Primary Data

Table 4 Kruskal Wallis Test

|             | ACRO          | PAO           | DAEO          | DANBA         | SBRP  |
|-------------|---------------|---------------|---------------|---------------|-------|
| Chi-Square  | 14.99         | 42.732        | 17.239        | 50.067        | 1.67  |
| Df          | 4             | 4             | 4             | 4             | 4     |
| Asymp. Sig. | <b>0.005*</b> | <b>0.000*</b> | <b>0.002*</b> | <b>0.000*</b> | 0.796 |

Source: Primary Data

\*Significant at 5 per cent level of significance

The hypotheses except for “substantiate by bringing to the right point” are rejected as the p values are 0.005, 0.000, 0.002 and 0.000 ( $p < 0.05$ ) and the stated hypothesis is not rejected as its p value is 0.796 ( $p > 0.05$ ). It signifies that there is significant difference among the 5 divisions as to handling objections with regard to all methods except “substantiate by bringing to the right point”. To conclude, selected respondents have similar attitudes towards the method “substantiate by bringing to the right point” in all the 5 divisions.

### Method of Catching a Prospect

LIC agents depend on various means or sources to expand their customer base. The analysis depicts the most depended means among LIC agents in locating their prospective clients, that exposes their nature and approach of capturing clients. The identified means subject to analysis are Regular Visit to the Organisation (RVO), Contact through Social Clubs (CSC), Offering Personal Help (OPH), Contact through Friends/Relatives (CFR), Undertaking Socially Responsible Commitments (USRC), Offer to Pay Initial Premium (OPIP) and Old Customers' Recommendations (OCR). The output of Kruskal Wallis test is presented below.

Research Hypothesis: There is difference in the median responses for methods of catching prospects among the 5 divisions.

Table 5 Descriptive Statistics

| Methods of catching prospects     | N   | Mean | Std. Deviation |
|-----------------------------------|-----|------|----------------|
| Regular visit to the organisation | 310 | 3.26 | 1.835          |



|   |     |             |       |
|---|-----|-------------|-------|
| Contact through social clubs                | 310 | 4.45        | 1.628 |
| Through offering personal help              | 310 | 4.37        | 1.903 |
| Contact through friends and relatives       | 310 | <b>2.13</b> | 1.506 |
| Undertaking socially responsible activities | 310 | 4.72        | 1.861 |
| Offer to pay initial premium                | 310 | 6.26        | 1.924 |
| Old customers' recommendations              | 310 | <b>3.16</b> | 1.744 |

Source: Primary Data

Table 6 Ranks on Methods of Catching Prospects

| Methods of catching prospects           | EKM    | KTYM          | KKD           | TSR    | TVPM   |
|---|--------|---------------|---------------|--------|--------|
| N                                       | 52     | 61            | 84            | 59     | 54     |
| Regular visit to the organisation       | 136.4  | 150.95        | 174.74        | 142.02 | 163.83 |
| Contact through social clubs            | 163.58 | 161.56        | 132.07        | 162.47 | 169.71 |
| Through offering personal help          | 138.64 | 150.84        | 168.21        | 160.86 | 151.37 |
| Contact through friends/relatives       | 158.33 | 146.34        | 168.3         | 146.13 | 153.45 |
| Undertake social responsible activities | 158.16 | 166.56        | 141.15        | 169.78 | 147.17 |
| Offer to pay initial premium            | 193.48 | 150.84        | <b>134.11</b> | 138.69 | 175.83 |
| Old customers recommendations           | 143.92 | <b>132.53</b> | 194.73        | 137.09 | 151.69 |

Source: Primary Data

Table 7 Test statistics- Kruskal Wallis test

|             | RVO   | CSC   | OPH   | CFR   | USRC  | OPIP          | OCR           |
|-------------|-------|-------|-------|-------|-------|---------------|---------------|
| Chi-Square  | 8.509 | 8.434 | 4.125 | 3.607 | 5.248 | 20.508        | 24.59         |
| Df          | 4     | 4     | 4     | 4     | 4     | 4             | 4             |
| Asymp. Sig. | 0.075 | 0.077 | 0.389 | 0.462 | 0.263 | <b>0.000*</b> | <b>0.000*</b> |

Source: Primary Data

\*Significant at 5 per cent level of significance

The Table of descriptive statistics highlights that the most depended means among selected agents is "contacts through friends and relatives" having the lower mean. All the hypotheses except for "offer to pay initial premium" and



“old customers’ recommendations” are not rejected as their p values are 0.075, 0.077, 0.389, 0.462, and 0.263 ( $p > 0.05$ ) while the hypotheses for the means stated above are rejected as their p values are 0.000, 0.000, ( $p < 0.05$ ). It means that there is significant difference among selected agents in the 5 Divisions as to the methods of prospecting with regard to “offer to pay initial premium” and “old customers’ recommendations”.

### Criteria Used by Agents While Recommending a Policy

The criteria depended on by an agent in recommending a policy has great impact on his customer base. A knowledgeable agent makes the customer understand the basic idea behind having life insurance policy and tries to interlink the basic needs of the customer with the policy marketed. The analysis exhibits the means most depended upon by agents in marketing policies. Here Kruskal-Wallis test is used, which is the non-parametric equivalent of ANOVA and an extension of Mann-Whitney U test, as there are more than two groups in the category.

**Research Hypothesis:** There is difference in the median responses for agents’ criteria on recommendation of policy among the 5 divisions of the LIC.

**Table 8 Descriptive Statistics**

|  | N   | Mean        | Std. Deviation |
|--|-----|-------------|----------------|
| Needs and Desires of Customer            | 310 | <b>1.51</b> | 0.88           |
| Wealth and Income of Customer            | 310 | 2.76        | 1.224          |
| Occupational Status of Customer          | 310 | 2.97        | 0.978          |
| Age/Education/Marriage Needs of Customer | 310 | 2.93        | 1.255          |
| Rates of Agent’s Commission              | 310 | 4.76        | 1.106          |

Source: Primary Data

**Table 9 Agent’s Criteria in Recommending Policy**

|                               | EKM    | KTYM  | KKD   | TSR           | TVPM  |
|-------------------------------|--------|-------|-------|---------------|-------|
| N                             | 52     | 61    | 84    | 59            | 54    |
| Needs and desires of customer | 152.71 | 133.6 | 191.8 | <b>124.08</b> | 160.8 |



|   |        |               |               |        |               |
|---|--------|---------------|---------------|--------|---------------|
| Wealth and income of customer                   | 151.15 | <b>132.04</b> | 192.13        | 139.84 | 146.31        |
| Occupational status of customer                 | 191.74 | 165.97        | <b>114.38</b> | 154.14 | 174.23        |
| Age/education/marriage requirements of customer | 148.56 | 163.34        | 137.82        | 189.23 | <b>143.98</b> |
| Rates of commission to agents                   | 161.63 | <b>143</b>    | 160.9         | 154.03 | 156.92        |

Source: Primary Data

Table 10 Kruskal Wallis Test

|             | NDC           | WIC           | OSC           | AEMRC         | RCA |
|-------------|---------------|---------------|---------------|---------------|-----|
| Chi-Square  | 36.964        | 22.385        | 32.45         | 14.114        | 2.2 |
| Df          | 4             | 4             | 4             | 4             | 4   |
| Asymp. Sig. | <b>0.000*</b> | <b>0.000*</b> | <b>0.000*</b> | <b>0.007*</b> | 0.7 |

Source: Primary Data

\*significant at 5 per cent level of significance

The descriptive statistics Table shows that the needs and desires of the customers are given prime importance while recommending a policy. The mean rank Table depicts that the agent's commission is not given as the prime choice among any of the divisions. All the hypotheses except that related to rate of agents' commission are rejected as their p values are 0.000, 0.000, 0.000 and 0.007 ( $p < 0.05$ ) and the hypothesis related to rate of agent's commission is not rejected as its p value is 0.699 ( $p > 0.05$ ). It shows that there is significant difference as to all variables except rates of agent's commission among the 5 divisions as the criteria to recommend a policy.

## Findings & Conclusions

Most of the agents feel that customers are having objections at high rate in relation to return and liquidity aspect of life insurance products of LIC. The analysis on the method of handling objection raised by customers shows that while agents in Ernakulam Division avoid customers raising objection, agents in Kottayam and Thrissur Division disagrees with such things that can't be agreed. Postponing the



answer to objection is the method opted by agents in Kozhikode division. The most opted method of catching prospect among agents is offer to pay initial premium (Kozhikode Division) and old customer recommendations ((Kottayam Division). The needs and desires, income, occupational status and demographic features like age, education and marriage requirements of customers are being considered by agents while recommending policy to customers at Thrissur, Kottayam, Kozhikode and Thiruvananthapuram Divisions respectively. It will be worthwhile to take into account the factors in designing the training programmes for agents of LIC India.

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