

An Empirical Study of Postal Life Insurance in Reference to LIC and Private Insurance in NCR

Dr. M. K. Gupta*
Nidhi Gupta*

Abstract

Due to India's huge population and an untapped insurance market, life insurance companies have been instrumental in mobilizing the savings of the people and have been ranked next to the banking institutions. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. India has very low insurance penetration and density compared to the world average. One of the main reasons of low insurance penetration in low insurance literacy. If we compare the status of India with global standards, India is lagging behind even with Asians countries. The insurance penetration in India is 5.2 percent and insurance density is US \$54.3; whereas the world average is 7 and US\$595.1, respectively. The insurance penetration for Asia is 6.1 and insurance density is US\$243.1. The objectives of the study are to study to find out the factors influencing the customers, to study the attitude of the consumers regarding the postal Life Insurance, LIC and Private Insurance, to find the reasons for choosing a particular service and to study the satisfaction level and to probe the problems faced by the customers. The study is based on the primary data. Researcher has used Anova-test to test the hypothesis. Towards the end of the study the researcher has given various useful suggestions for the future development and betterment of postal Life Insurance.

Keywords: Postal Life Insurance, Hypothesis, ANOVA, Satisfaction, Services

1. Introduction

Insurance can be defined as a contract between two parties, where one promises the other to indemnify or make good any financial loss suffered by the latter (the insured) in consideration for an amount received by way of 'premium'. Nowadays, life insurance also acts as a tool to plan effectively about one's future savings, education needs of one's child etc. Thus apart from covering his life, it is an effective tool to augment one's wealth.

Insurance industry in India is undergoing deep and fundamental shifts. In the year 2000, the Insurance Act, 1938 was amended and a new regulator, Insurance Regulatory and Development Authority (IRDA), was appointed. Immediately after the passage of the IRDA Act, a number of companies announced that they sought foreign partnership. The entry of foreign insurers as minority partner in domestic joint ventures had brought the hope that market will reach a new level in near future. The opportunity for private players was vast, if they were to get their strategies right. Most insurers were eyeing the life segment first. The IRDA started issuing licenses to private life insurance companies with FDI upto 26% from the same year. There are 23 life insurance companies operating in India, including the State owned Life Insurance Corporation of India (LIC). The US\$41-

billion Indian life insurance industry is considered to be the fifth largest life insurance market in the world. It is growing at a rapid pace of 32-34 per cent annually, according to the Life Insurance Council (www.lifeinscouncil.org). Since the opening up of the insurance sector in India, the industry has received Foreign Direct Investment (FDI) to the tune of \$525.6 million. Life Insurance Corporation's (LIC) new premium collection touched \$ 9.58 billion in the April-December 2009 period while the combined business of the 22 private insurers grew to US\$5.07 billion from the previous year, as per data collated by IRDA (www.irdaindia.org). The LIC posted a 50 per cent growth in new premium collection in the first 9 months of the 2010 fiscal, increasing its market share to 65 per cent from 56 per cent a year ago. In 2010 fiscal year, it crossed the \$54.1 billion mark in total premium income by the end of March 2010, showing a growth of 29 per cent. The life insurance industry like many other financial services industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Just like companies of other business domains, life insurance also considers their customers as the most important asset.

Before the entry of private insurance players, the insurance penetration in India was less than 2%. In a decade, it is more than double - above 4%. In India, insurance along with banking accounts for 5.4% of the GDP (at current prices) in 2009-10 with a growth rate of 11.3% over the last year (economic survey 2010-11).

Thus, though life insurance has a wide reach in terms of people covered, there are life covers under-insured. The concept of protecting loss of earning for the dependents is still not appreciated and even low-income groups do not have many choices. The LIC despite intense competition continues to lead the way with above 60% share. Hike in FDI cap to 49% is yet to take place as the Insurance Amendment Bill 2005 is yet to be passed. The private players have advantage over their predecessors, LIC and PLI, in fruitfully strategizing their business options. Further, the adoption of new and innovative technologies by the private players has enhanced their performances when compared to that of LIC and PLI which remained engrossed in applying traditional business methodologies.

Introduction to Postal Life Insurance

Postal Life Insurance (PLI) was introduced on 1st February 1884 with the express approval of the Secretary of State (for India) to Her Majesty, the Queen Empress of India. It was essentially a scheme of State Insurance mooted by the then Director General of Post Offices, Mr. F.R. Hogg in 1881 as a welfare scheme for the benefit of Postal employees and later extended to the employees of Telegraph department in 1888. In 1894, PLI extended insurance cover to female employees of P & T Department at a time when no other insurance company covered female lives. It is the oldest Life insurer in this country.

In the beginning, the upper limit of life insurance was only Rs 4000/- which has now increased to Rs 10 lacs (Rupees Ten Lacs) for all schemes combined - Endowment Assurance and Whole Life Assurance. Over the years, PLI has grown substantially from

a few hundred policies in 1884 to 42, 83,302 policies as on 31.03.2010. It now covers employees of Central and State Governments, Central and State Public Sector Undertakings, Universities, Government aided Educational institutions, Nationalized Banks, Local bodies etc. PLI also extends the facility of insurance to the officers and staff of the Defense services and Para-Military forces. Apart from single insurance policies, Postal Life Insurance also manages a Group Insurance scheme for the Extra Departmental Employees (Gramin Dak Sevaks) of the Department of Posts. PLI is an exempted insurer under Section 118 (c) of the Insurance Act of 1938. It is also exempted under Section 44 (d) of LIC Act, 1956.

Rural Postal Life Insurance (RPLI) came into being as a sequel to the recommendations of the Official Committee for Reforms in the Insurance Sector (Malhotra Committee). The Committee had observed in 1993 that only 22% of the insurable population in this country had been insured; life insurance funds accounted for only 10% of the gross household savings. The Government accepted the recommendations of Malhotra Committee and allowed Postal Life Insurance to extend its coverage to the rural areas to transact life insurance business with effect from 24.3.1995, mainly because of the vast network of Post Offices in the rural areas and low cost of operations. The prime objective of the scheme is to provide insurance cover to the rural public in general and to benefit weaker sections and women workers of rural areas in particular and also to spread insurance awareness among the rural population. As on 31.03.2010, we have 99, 25,103 RPLI policies.

Review of Literature

- Gupta (1977) worked on how the LIC is working with its policies, can it provide quality and variety of products to its customers and lastly, is there any scope for private participation in coming few years. It was concluded in that research work that "presently, the-only captain of ship insurance is Life Insurance Corporation of India but soon the doors may be opened for private sector. No doubt, the LIC is working well with its policies but still it will have to be ready for entry of private sector".
- Mishra (1986) worked on objective to study the effect of working of the LIC, how this affects the financial level, and studies the impact of LIC's working on the internal organization. It was concluded that being the only company providing best services to the customers by satisfying their needs, the LIC is running successfully by earning through revenues and through providing remarkable services to the customers.
- Chennappa (2005) examined the entry of private players-whether it will be successful or not and whether entry of bancassurance will be successful, and to what extent and also the India's insurance prospects. The entry of State Bank of India and its focus on bancassurance brought a new dynamics in the game.
- Krishnamurthy (2005) made a study to see the development of Bancassurance in India and to study the current training programme for bank employees. Four years ago, Bancassurance in India was a concept but today it is a reality. All the Indian players in life insurance including the LIC, have a specialized marketing team for this channel and premiums income collected represents 25% to 70% of gross

total premium income. For example, in SBI Life, Bancassurance business represents about 70% of the total business and more than 2 million bank customers have taken insurance through this channel. Bancassurance is believed to be the most cost effective channel to make insurance products available to masses through widespread bank branches network.

- Aggarwal (2005) explained his research experience about location and channels used to supply services to target customers. Place and environment in which service is delivered also plays an important role. Traditionally, insurance service providers have been going to the customer through their direct selling agents. In India and in the world, the selling model is basically dependent upon agency sales force. Even in the U.S, most of the insurance policies are sold through direct contact, as it is a complicated product and it needs personal guidance, suggestions and options.
- Subramanian (2005) noted that in India, the average collection of insurance companies would rise by 50% in 5 years from now, if the companies take up to Bancassurance Model. Success of bancassurance model in other parts of the world has shown us that banks and insurance companies have taken focused steps in developing this model. There is an established marketing and distribution network. Although bancassurance was slow in picking up pace, it has finally taken off as a sound distribution channel.
- Xharbrahimi (2006) in his research paper discussed the effect of technology on life insurance distribution, whether life insurers and insured are aggressively seeking to make use of internet or not. Technology in the insurance industry has evolved from providing enhanced operation processing to facilitating corporate strategy. More recently, technology is becoming an important part of corporate life insurance competitive strategy and is increasingly employed in achieving a competition edge
- Gayathri H., M. C. Vinaya, and K. Lakshmisha (2005) conducted a pilot study on the insurance companies in India to quantitatively study the levels of the dimensions of service quality and its relation to the level of customer satisfaction. The results showed that LIC was scoring lower in all the five dimensions of service quality. To relate the satisfaction level of customers with the levels of SERVQUAL dimensions, multiple regression equations were developed for the four companies. The study concluded by saying that the companies have to focus on service quality in order to differentiate themselves and create a competitive advantage in order to survive the competition in the market.

Objectives of The Study

The study is conducted with the following three objectives:

1. To determine the perceptions of customers regarding the service quality in Postal life insurance.
2. To analyze and compare the service quality perceptions of the customers in Postal life insurance, LIC and private insurance organization.
3. To determine the relevant dimensions of service quality.

Hypothesis

Based on the above said objectives, the following major hypothesis are set:

H1: Age does not affect the customer's satisfaction regarding Postal Life Insurance.

H2: Availability of Postal Life Insurance on minimum sum as well as less premium does not affect the customer's satisfaction regarding Postal Life Insurance.

Research Methodology

The study is based on both primary and secondary data. The necessary data is collected from annual reports of the companies in life insurance business, websites, magazines and IRDA journals. The perception and satisfaction of the customers and intermediaries is judged through primary data, that is, filling of questionnaires, in which the sample size consists of 110 respondents, from customers. The data is collected from Northern India. The majority of the data is from NCR such as Delhi, Gurgaon, Faridabad and Ghaziabad. The convenient sampling technique has been used for this study. The study has been conducted to know the extent of satisfaction of different categories of consumers towards Postal life insurance. Respondents were asked to denote their perception of the quality of performance of different parameters on a five-point Likert rating scale where 1 denoted highly dis-satisfied and 5 denoted highly satisfied. 45 questionnaire were distributed separately in Post-Offices, LIC & private insurance companies. Out of 45 questionnaires served 40 people responded in Post-Offices while 35 people responded in LIC & Private each. The survey was conducted over a period of 5 months i. e. from June 2011 to October 2011.

Selection of Tools

Description of Questionnaire:

The questionnaire that had been prepared and used to collect the opinion of sample respondents. A number of items were included in the questionnaire. Emphasis was given to collect the opinion of the sample account holders regarding customer service of the post office. Reasons for preference and type of assistance received by the respondents have been asked through the questionnaire.

Collection of Data:

The data have been collected from 110 customers. Sample respondents are requested to give their natural, free and frank responses to the queries. They are taken into confidence and are told that the information is required only for research purpose and will be strictly kept secret.

Tabulation and Classification of Data:

The data was collected through a single type of questionnaire compiled on suitable tabulation sheets, which were also prepared for the purpose. The data have been classified on the basis of age, profession, monthly income and gender.

Statistical Techniques Used:

The data are tabulated and analyzed keeping in view the objectives spelt out and hypothesis formulated. Simple percentage technique has been used to analyze the responses of the respondents. ANOVA has been used to test the hypothesis.

Data Analysis and Findings

The SPSS software package 17.0 version was used for analyzing the data collected for this study.

Table I: explained the various statistics regarding services provided by Postal Life Insurance: Descriptive Statistics

Descriptive Statistics				
	N	Mean	Std. Deviation	Variance
Variety of Life Insurance Scheme are available in Post Offices/LIC/Pvt.org	110	3.5273	1.31127	1.719
Insurance is available on minimum sum in Post Offices/LIC/Pvt. Organization	110	2.8364	1.37158	1.881
Premium payable on insurance is minimum in Post Offices/LIC/Private insurance organization	110	3.0909	1.29605	1.680
Loans are easily available against Postal Life insurance/LIC/Pvt Insurance Organization	110	2.6727	1.32796	1.763
Lapse insurance policy can be continue easily in Post Offices/LIC/Pvt org	110	2.8364	1.31000	1.716
Policy holders receive high rate of bonus year to year in Post Offices/LIC/Pvt Org	110	2.6273	1.33313	1.777
Rebate provided to policy holders on advance payment of premium is satisfactory in Post Office/LIC/Private	110	3.6545	1.18427	1.403
Formalities on maturity of policy required is satisfactory in Post Offices/LIC/Private	110	3.0091	1.12107	1.257
Premium collection centre & agent are available in your nearby area	110	3.1364	1.34422	1.807
Problems & queries are solved on the spot regarding your policy.	110	3.1909	1.23775	1.532
Interest rate on Loan against policy is satisfactory in Post Office/LIC/Private	110	2.3909	1.18163	1.396
You are satisfied with your Insurance policy.	110	3.6455	1.14609	1.314

Frequency Table

Table II: Break up of Respondents According to Age

	Frequency	Percent	Cumulative Percent
Between 20-30	37	33.6	33.6
Between 30-40	57	51.9	85.5
Between 40-50	12	10.9	96.4
More than 50	4	3.6	100.0
Total	110	100.0	

Source: Primary data

Table II shows the break up of respondent according to their age. The data exposed that maximum 51.8% of total sample population are in the age group between 30-40 years.

Table III: Break up of Respondents According to Gender status

	Frequency	Percent	Cumulative Percent
Male	66	60.0	60.0
Female	44	40.0	100.0
Total	110	100.0	

Source: Primary data

Table III displays the break up of respondent according to their gender. The data exposed that highest 60% of total sample population are male while 40 % are females.

Table IV: Break up of Respondents According to Yearly Income

	Frequency	Percent	Cumulative Percent
Between 1-2 lakhs	11	10.0	10.0
Between 2-3 lakhs	21	19.1	29.1
Between 3-4 lakhs	26	23.6	52.7
Between 4-5 lakhs	40	36.4	89.1
More than 5 lakhs	12	10.9	100.0
Total	110	100.0	

Source: Primary data

Table IV portrays the break up of respondent according to their yearly income. The data exposed that maximum 36.4% of total sample population are in the income group between 4-5 lakhs.

Table V: Break up of Respondents According to Education

	Frequency	Percent	Cumulative Percent
Undergraduate	3	2.7	2.7
Graduate	38	34.6	37.3
Post graduate	69	62.7	100.0
Total	110	100.0	

Source: Primary data

Table V shows the break up of respondent according to their education. The data exposed that highest 62.7% of total sample population are post graduate while minimum 2.7% are undergraduate.

Table VI: Break up of Respondents According to Profession

	Frequency	Percent	Cumulative Percent
Businessmen	33	30.0	30.0
Servicemen	77	70.0	100.0
Total	110	100.0	

Source: Primary data

Table VI shows the break up of respondent according to their profession. From the table it is clear that Servicemen are keen to transact with the post office as they hold 70 % of the total sample population.

Table VII: Duration of the time period to transfer policy from one place to another place under PLI/LIC/Private

	Post-offices	LIC	Private Organization
Within a week	5 (12.5%)	1 (2.86%)	31 (88.57%)
Within 15 Days	12 (30%)	2 (5.71%)	1 (2.86%)
Within a Month	14 (35%)	7 (20%)	1 (2.86%)
More than 1 month	7 (17.5%)	22 (62.86%)	0 (0%)
Not Known	2 (5%)	3 (8.57%)	2 (5.71%)
Total	40	35	35

Source: Primary data

Table VIII: Duration of the time period to surrender policy under PLI/LIC/Private

	Post-offices	LIC	Private Organization
Within a week	0 (0%)	2 (5.71%)	1 (2.86%)
Within 15 Days	2 (5%)	24 (68.58%)	11 (31.43%)
Within a Month	16 (40%)	7 (20%)	16 (45.71%)
More than 1 month	18 (45%)	2 (5.71%)	5 (14.29%)
Not Known	4 (10%)	0 (0%)	2 (5.71%)
Total	40	35	35

Source: Primary data

Table IX: Duration of time period required to get the final payment after maturity of policy in Post Offices/LIC/Private

	Post-offices	LIC	Private Organization
Within a week	0 (0%)	23 (65.71%)	1 (2.86%)
Within 15 Days	28 (70%)	9 (25.72%)	12 (34.29%)
Within a Month	8 (20%)	1 (2.86%)	17 (48.57%)
More than 1 month	2 (5%)	0 (0%)	3 (8.57%)
Not Known	2 (5%)	2 (5.71%)	2 (5.71%)
Total	40	35	35

Source: Primary data

Table X: Duration of time period taken for final claim settlement in case of mishappening under Post Office/LIC/Private

	Post-offices	LIC	Private Organization
Within a week	0 (0%)	2 (5.71%)	0 (0%)
Within 15 Days	0 (0%)	12 (34.29%)	3 (8.57%)
Within a Month	3 (7.50%)	15 (42.86%)	11 (31.43%)
More than 1 month	29 (72.50%)	1 (2.86%)	17 (48.57%)
Not Known	8 (20%)	5 (14.29%)	4 (11.43%)
Total	40	35	35

Source: Primary data

Hypothesis Testing

HYPOTHESIS I : Age does not affect the customer's satisfaction regarding Postal Life Insurance.

The present study was conducted with two null hypotheses. The hypothesis was tested with the use of ANOVA Test. The results of ANOVA are:-

Descriptive You are satisfied with your Postal Life Insurance policy.

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
between 20-30	37	2.8919	1.10010	.18085	2.5251	3.2587	1.00	4.00
between 30-40	57	3.8421	.99623	.13195	3.5778	4.1064	1.00	5.00
between 40-50	12	4.5833	.51493	.14865	4.2562	4.9105	4.00	5.00
more than 50	4	5.0000	.00000	.00000	5.0000	5.0000	5.00	5.00
Total	110	3.6455	1.14609	.10927	3.4289	3.8620	1.00	5.00

Table XII: One - Way ANOVA analysis for Age Groups and Customers Satisfaction

ANOVA You are satisfied with your Postal Life Insurance policy.

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	41.110	3	13.703	14.232	.000
Within Groups	102.063	106	.963		
Total	143.173	109			

Since in first case the value of two tailed significance is less than .05 (i.e. $p < .05$), null hypothesis is rejected and alternate hypothesis is accepted. We can say that different Age Groups have an impact on customer satisfaction.

HYPOTHESIS II : Availability of Postal Life Insurance on minimum sum as well as less premium does not affect the customer's satisfaction regarding Postal Life Insurance.

Table XIII: One – Way ANOVA analysis for Age Groups and Customers Satisfaction

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Insurance is available on minimum sum in Post Offices/LIC/Pvt. Organization	Between Groups	65.069	3	21.690	16.424	.000
	Within Groups	139.985	106	1.321		
	Total	205.055	109			
Premium payable on insurance is minimum in Post Offices/LIC/Private insurance organization	Between Groups	35.105	3	11.702	8.382	.000
	Within Groups	147.986	106	1.396		
	Total	183.091	109			

Similarly in second case the value of two tailed significance is less than .05 (i.e. $p < .05$), null hypothesis is rejected and alternate hypothesis is accepted. We can conclude that customer satisfaction is dependent on availability of Postal Life Insurance at minimum sum as well as at less premium.

Service Quality Improvement Suggestions

1. Post-Offices should focus more on improving the infrastructure. The infrastructure not only involves the information technology input in the branches, regional offices and head office, but also the physical evidence, ambience and layout. This is due to the fact that like in other service organizations, in insurance services also, the internal ambience of the organization has a positive impact on the customers.
2. Post Offices should decrease interest rate on loan against insurance policy.
3. Claim should be settled quickly in case of mishappening as well as on maturity in Post Offices.
4. In Post Offices the procedure work during lapse of policy should be reduced.
5. Post-Offices should position themselves in the market and promote themselves aggressively. This step will not only help them survive the present onslaught from LIC and private sector insurance companies, but also be able to compete in the market.
6. It has become dire need of the hour for the Post-offices to train their employees to treat the customers with empathy. This can give the required leading edge and finally, lend competitive advantage to the public sector insurance companies.
7. Post-Offices shall have to be more innovative in terms of the insurance product offers to customers and compete with full strength in the market.
8. Post-Offices should provide insurance to all segment of people engaged in private sector as well as self business.

9. Post-Offices should increase their agent network all over the India to cover large geographical area.

Conclusion

The post-globalization world has brought the customer into focus. After liberalization, the life insurance sector in India was thrown open to private players. The future direction of Postal Life Insurance depends on the innovative, attractive and futuristic strategies in marketing adopted by Post-Offices. This study has analyzed the different elements involved in the product mix and their practical applications in the Indian life insurance sector. This study provides a good scope for further research in developing new marketing plans for the rural customers. Again, there is enough evidence to show that the executives have to be trained differently for the rural prospects compared to urban tactics. In order to remain in focus of growth, Post-Offices has to think futuristically and also globally. With the ever changing global financial scenario, it has to change and to adapt to the situations accordingly. The past of the Postal Life Insurance in liberalized Indian life insurance industry has been phenomenally good and the future also promises a vivid picture.

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Post Office/ LIC/Pvt Survey Questionnaire:

Which service are you using () Post Office () LIC () Pvt Org

Please tick () the appropriate service offered by Post Offices/ LIC / Pvt Sector.	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1. Variety of Life Insurance Scheme are available in Post Offices/LIC/Pvt.org	1	2	3	4	5
2. Insurance is available on minimum sum in Post Offices/LIC/Pvt. organization.	1	2	3	4	5
3. Premium payable on insurance is minimum in Post Offices/LIC/Private insurance organization.	1	2	3	4	5
4. Loans are easily available against Postal Life insurance/LIC/Pvt Insurance Organization.	1	2	3	4	5
5. Lapse insurance policy can be continue easily in Post Offices/LIC/Pvt org.	1	2	3	4	5
6. Policy holders receive high rate of bonus year to year in Post Offices/LIC/Pvt Org	1	2	3	4	5
7. Rebate provided to policy holders on advance payment of premium is satisfactory in Post Office/LIC/Private	1	2	3	4	5
8. Formalities on maturity of policy required is satisfactory in Post Offices/LIC/Private	1	2	3	4	5
9. Premium collection centre & agent are available in your nearby area	1	2	3	4	5
10. Problems & queries are solved on the spot regarding your policy.	1	2	3	4	5
11. Interest rate on Loan against policy is satisfactory in Post Office/LIC/Private	1	2	3	4	5
12. You are satisfied with your Insurance policy.	1	2	3	4	5

13. Duration of the time period to transfer policy from one place to another place under PLI/LIC/Private
1. Within a Week
 2. Within 15 Days
 3. Within a Month
 4. More than 1 month
 5. Not Known
14. Duration of the time period to surrender policy under PLI/LIC/Private
1. Within a Week
 2. Within 15 Days
 3. Within a Month
 4. More than 1 month
 5. Not Known
15. Duration of time period required to get the final payment after maturity of policy under Post Offices/LIC/Private
1. Within a Week
 2. Within 15 Days
 3. Within a Month
 4. More than 1 month
 5. Non Known
16. Duration of time period taken for final claim settlement in case of mishappening under Post Office/LIC/Private
1. Within a Week
 2. Within 15 Days
 3. Within a Month
 4. More than 1 month
 5. Non Availability

Please tell us about yourself:-

- a. Name _____ b. Age _____ c. Gender _____
- d. Education: _____ e. Occupation: _____ f. City/village _____
- g. Annual Income _____

0 Below 1 lakhs 0 Between 1 – 2 lakhs
 0 Between 2 – 3 lakhs 0 Between 3 – 4 lakhs
 0 Between 4 – 5 lakhs 0 more than 5 lakhs