

A Study of Innovative Marketing Channels of Life Insurance Corporation of India

*Dr. Anil Soni

ABSTRACT: Life insurance industry in India is one of the core service sectors. Until 1999, the business of life insurance in India was the monopoly of Life Insurance Corporation (LIC). Government made a major change in the economic policy by adopting the process of liberalization, privatization and globalization from year 2000. IRDA was set up as regulatory body and private sector was allowed entry both in general and life insurance sector in India. Privatization witnessed dynamic changes in the insurance industry and most of the private companies were joint ventures with recognized foreign players.

The entry of private players in the Indian insurance market changed the nature of competition. The vigorous campaigns of these players increased customer awareness and so their expectations. Due to these efforts of private players the benefits, which LIC was enjoying out of its monopoly in the market, were taken away and it had to face tough competition. To sustain its growth in an intensely competitive environment, LIC started initiating organizational changes and became more customer-focused. Today, the LIC has to shift from managing a market, to acquire new customers, retain existing ones and maximize their life time value.

This paper throws light on the changes which LIC brought in its marketing due to the entry of private insurance players. Descriptive research has been done by collecting secondary data from text books, IRDA publications, annual reports, insurance journals, magazines and insurance websites. The changes that LIC has brought in its products and marketing activities have been discussed.

Keywords: Insurance Sector; Marketing Strategies; IRDA; Bancassurance and alternate distribution channels.

INTRODUCTION

Life insurance business in India was being transacted by various private companies until 1956. In the interest of insuring more public at that time, the life insurance business was nationalized in 1956. The nationalization resulted in the establishment of LIC, when the Parliament of India passed the Life Insurance of India Act. The Corporation was formed and began to function on September 1, 1956 by taking over 170 companies and 75 provident societies. After 1956 and until 1999, the business of life insurance in India was the monopoly of LIC.

Associate Professor,
DAV Institute of Engineering and Technology,
Jalandhar anil.daviet@gmail.com

To increase competition, Insurance Regulatory and Development Authority (IRDA) came into function on 19th April, 1999 as an autonomous body in the life insurance sector in India. The main objective of IRDA was to regulate and register the life insurance companies operating in India. As a result, private sector was allowed entry both in general and life insurance sector in India.

Since 2000, when IRDA was set up in India, 23 more private life insurance companies entered till date into the Indian market other than one already existing public life insurance operator LIC of India. Life insurance industry expanded tremendously from 2000 onwards in terms of number of offices, number of agents, new business policies, premium income etc.

Before 2000, the nature of life insurance business was pure monopolistic. Potential buyers were attracted to buying a policy for one or more of the reasons viz., saving for one or more purposes, security of the money invested, and the tax benefit. After privatization, Indian life insurance sector has become customer-centric. The entry of private players in the Indian insurance market from year 2000 changed the nature of competition. Many new products (like ULIPs, pension plans etc.) and riders were provided by the life insurers to suit the requirements of various customers. With the advent of competition, LIC of India was forced to change its business processes.

In January 2000, LIC of India adopted three-pronged business strategies for business, which involved reduction in premiums, higher returns and introduction of new products. International consultants Booze Allen & Hamilton were hired in 2000, to advise LIC on the changes needed in the organization. In 2001, LIC tied up with two payment gateways-Billjunction.com and Timesofmoney.com to set up a facility for policyholders to pay premiums through the Internet. It also tied up with ICICI Bank, HDFC Bank, UTI Bank and Bank of Punjab to directly remit customers' policy premiums and debit their accounts after the transaction. Thereafter, LIC of India has been able to continuously manage to work in updating them with the changing trends of the society.

RESEARCH METHODOLOGY

The research design which has been formed for this research article is descriptive research design. The research study is based on the secondary sources for collecting data. The relevant and required data are collected from secondary sources such as text books, national as well as international articles, insurance journals, magazines, newspapers and various websites.

OBJECTIVES

- a) To know the marketing of LIC before privatization.
- b) To know the impact of private players on marketing of LIC.
- c) To know about the marketing strategies adopted by LIC after privatization.

MARKETING OF LIC BEFORE PRIVATIZATION

Until the Indian insurance industry was liberalized, LIC did not have any clear marketing strategies. Since it enjoyed monopoly status, it could afford to have a very limited focus on marketing. For the average Indian, LIC became synonymous with life insurance, and over the

years, it built up an enviable brand image in both rural and urban areas. The company grew by leaps and bounds, with people buying its policies due to the tax concessions attached to it. Prior to privatization, almost 100% of the products sold to Indian customers by LIC were traditional ones with a quasi absence of individual pure protection products. More than 90% of the individual products sold were traditional savings cum protection products (endowment or money back plans).

The product range was small and not innovative enough. Most customers were underinsured with no flexibility or transparency in the products. LIC sold insurance as a tax planning instrument, not as a product giving protection. Group insurance business was only through formal group employer-employee (Traditional products such as term assurance, gratuity, leave encashment and superannuation). LIC tried to include features like accidental death, disability benefit and premium waiver clauses in many of its policies but all these benefits were not available in all type of policies. Further, addition of such benefits added complexities to the product. Moreover, many policies like unit linked policies and term insurance policies were not provided by LIC. On account of its position as a monopoly, LIC did not standardize its practices, nor did it focus on providing better customer service to the policyholders.

MARKETING OF LIC AFTER PRIVATIZATION

After privatization, the LIC of India has been facing competition pressure, so it has been reorganizing itself in order to perform better and to compete with private players. LIC has been formulating new strategies and plans from time to time. In view of coping with the competition, LIC has been taking following steps to increase its market competitiveness and retain its dominant position in the insurance market.

Product Development Strategies

Product development is the most basic and essential part of marketing of a company. After the entry of private players, many new and innovative products were introduced by the private players, due to which the traditional products of LIC had to face tough competition. The customer had more to choose in terms of policy instruments as new players came up with innovative product line. LIC not only managed to uphold the high pressure confidently but is also improving its performance day by day.

a) Introduction of new plans

In order to cope up with increased competition and as per the changing demands of the society, LIC has changed a lot in the nature of products they offer to their customers. LIC today has many new innovative products spread over a large canvas. LIC's products and services are scattered in various dimensions right from the basic Insurance plans to special plans for special people.

Today, the product line of LIC includes products like several Endowment plans, term insurance plans, pension plans, unit link plans, single premium plans money back plans, health insurance plans etc. LIC also offers certain special plans like Micro insurance plans for people below poverty line (BPL). LIC has also started online plans without involvement of any agents for aware and educated customers.

Further, LIC has tried to keep the basic products of life insurance quite simple by providing multiple riders separately which a customer can choose as per his requirements on payment of extra premium, thus making possible for the customer to match the products with his requirements. Many additional features such as concept of free look period, benefit illustrations etc. are also introduced in various products. Every year by taking market review, it introduces new innovative plans and also withdraws those plans which have less market response.

b) Health insurance plans

Prior to privatization, LIC did not concentrate on health insurance segment and not much products were available for health insurance. Favourable demographics, fast progression of medical technology as well as the increasing demand for better healthcare has facilitated growth in the health insurance sector. Initially, private sector insurers were more aggressive in this segment than LIC. Many plans were launched by private players such as ICICI, Max Bupa, SBI, HDFC Star Health etc.

LIC of India has realized that there is a top potential for the health insurances business. So, it has started one health insurance department and as of now, LIC has health protection plus and Jeevan Arogya Plan for catering the health needs of customers. In its health insurance plans, LIC has also introduced a policy where they provide hospital cash benefits. Under this plan, hospital cash benefit increases by 5% of basic HCB if there is no claim from policy holder up to 150% of basic HCB and in one health policy, entire family can be covered. LIC is continuously under the product development phase of introducing new health products to cater the up growing needs of the consumers.

c) Micro insurance plans

Micro insurance plan is a low premium plan where Government of India also contributes a proportion of total premium. The Micro Insurance policies are sold through a specialized well placed distribution channels comprising of NGOs, MFIs, Corporate Agents, select conventional agents and Section 25 companies.

Prior to privatization, LIC had a presence in rural areas but no customized plans were available to cater to the rural needs and also there were no micro insurance plans. After privatization, the LIC not only concentrated on celebrity marketing and rich class segment but also launched insurance plan under a separate business vertical of rural marketing to extend security to the less privileged section of the society.

LIC was the first player to offer specialized products with lower premium costs for the rural population. Under such business, 'Jeevan Madhur' plan was launched in Sept. 2006 by the LIC. The private companies have also started to claim a share in the rural market segment but LIC went a step ahead and came up with new marketing strategy. In this context, LIC of India started declaring villages as MADHUR villages after the name of its micro insurance product, Jeevan Madhur.

Marketing Strategies

Prior to privatization, distribution of products was only through tied agents and there was lack of expertise in marketing. In order to facilitate their consumers after privatization, LIC has adopted wide-ranging marketing strategies to acquire reach, frequency and impact onto the panorama of life insurance coverage. Following marketing strategies were adopted by LIC to retain its first position in insurance market:

a) Increasing satisfaction of employees

LIC of India believes and functions on the principle that if they have to continue as a market leader, then the employees of the organization should be satisfied. LIC have introduced many strategies as a part of marketing tool to satisfy their employees.

To enhance satisfaction of employees, LIC offers home loans to the agents of the corporation under the Agents Housing Scheme. LIC has a separate sister concern working under LIC- HFL from where many housing schemes are given.

In 2010, LIC introduced a very unique facility of providing meal coupons to their employees at every level. The amount of meal coupon is decided depending upon the hierarchical position of every employee.

The employees of LIC are encouraged to take part in several sports activities for physical fitness and overall personality development. The employees of LIC have also represented the corporation at various national and international events.

LIC provides training to their employees at every hierarchical position. LIC has formed a separate Human Resources Development / Organizational Development (HRD/OD) department for focusing on building and strengthening competencies, commitment and building learning and performance centered culture in the organization. For this purpose, training sessions are conducted in a big way across all zones using in-house as well as national / international training institutions of repute.

b) Increasing the number of agents

LIC of India is the number one service provider and agents are a pioneer field force in the procurement of the LIC's business. LIC has more than 12 lakh authorized agents across the country, which can collect the premium in CASH or CHEQUE and can issue a valid receipt instantly.

LIC has the largest number of offices and feet on the street in the market. LIC has on its rolls, more individual agents than all private insurers put together. In 2012-13, LIC employed 11.72 lakh field agents, while private insurers together employed no more than 9.49 lakh. LIC receives nearly 96 per cent of its new business from its individual agents. For private insurers, nearly half their new business comes from corporate agents and only 40 per cent through individual agents.

c) Introduced life - plus offices

To lower down the heavy rush on Branch offices/cash centers, LIC of India had started a new and unique system in May 2009 as Life- Plus office. Life- Plus office is being managed by the top development officers of the corporation known as Senior Business Associates (SBAs). At Life – Plus counter, one can deposit premium, new policy insurance, I. T. certificate, and loan / surrender value policy status etc. It has become a most successful channel and has reduced burden of Branch offices and are working as Mini Branch offices of LIC.

d) Focus on lady customers

The total population of women in India is almost 50% of total population. Analysts had pointed out that LIC was biased against women; most of its policies were designed with men in mind, whereas private insurers' products covered women's needs, too. To focus on lady customers, it made its advertisements carry universally applicable messages, focusing particularly on the young executive or the working woman, in order to tap the market comprised of people in the age group of 18-35years.

LIC was finding difficulty in providing services for women especially in rural and semi urban locations. So, LIC recruited many women employees in the organization. Today, LIC is having women employees approximate to 20% of its total workforce.

e) Online plans

In order to retain its position as market leader, LIC introduced many online plans for its aware and educated customers. As online plans are cheaper than offline plans most of times, so many aware customers are buying online plans these days.

f) Bancassurance and alternate distribution channels

Traditionally, agents were the primary channel in the distribution of insurance in the Indian market. It was felt that there was demand side as well as supply side gaps in the agency channel and LIC did not enjoy a professional image and was not keeping with the expectations. Due to this, LIC, which was distributing its products only through agents also started to look for alternative channels. LIC tied up with the banks in urban and with Regional Rural Banks (RRB) to spread its business. LIC tied up with Corporation Bank, Central Bank of India, IOB, UCO Bank, Bank of Punjab, Oriental Bank of Commerce and fourteen cooperative Banks. These banks known as the Bancassurance channels work as the corporate agents for the LIC and have contributed in selling insurance.

LIC has also attempted to enlarge the distribution channels to build a real marketing environment by involving cooperatives and panchayats in its market areas. The Bancassurance & alternate distribution channels share to total businesses 1.66% in Number of Policies (NOP) and 4.17% in First Premium Income (FPI).

g) Corporate communication

LIC of India always has a thrust to fortify "Brand LIC" and to reinforce the brand connect with emerging market segments. In order to achieve that, LIC has made a consistent media presence

in national and regional media. LIC has also sponsored many programs of National and International regimes. LIC conducted many activities such as campaigns in newspapers, consistent coverage of products in several magazines, Radio jingles on FM channels and radio stations on All India Radio, TV channels and on websites like Facebook, Orkut, Twitter, You tube etc.

h) Overseas business

LIC of India not only operates within the country but also has established its various operations outside the country. After privatization, as a part of change in marketing policy LIC thought of expanding outside boundaries of the country and to fulfill this thought, LIC has opened many international branches. The Corporation directly operates through its branch offices in Mauritius (Port Louis), Fiji (Suva & Lautoka) and United Kingdom (Wembley). LIC is also planning to foray into Saudi Arabia, New Zealand, Australia and some more Asian and African countries.

i) Advertisement

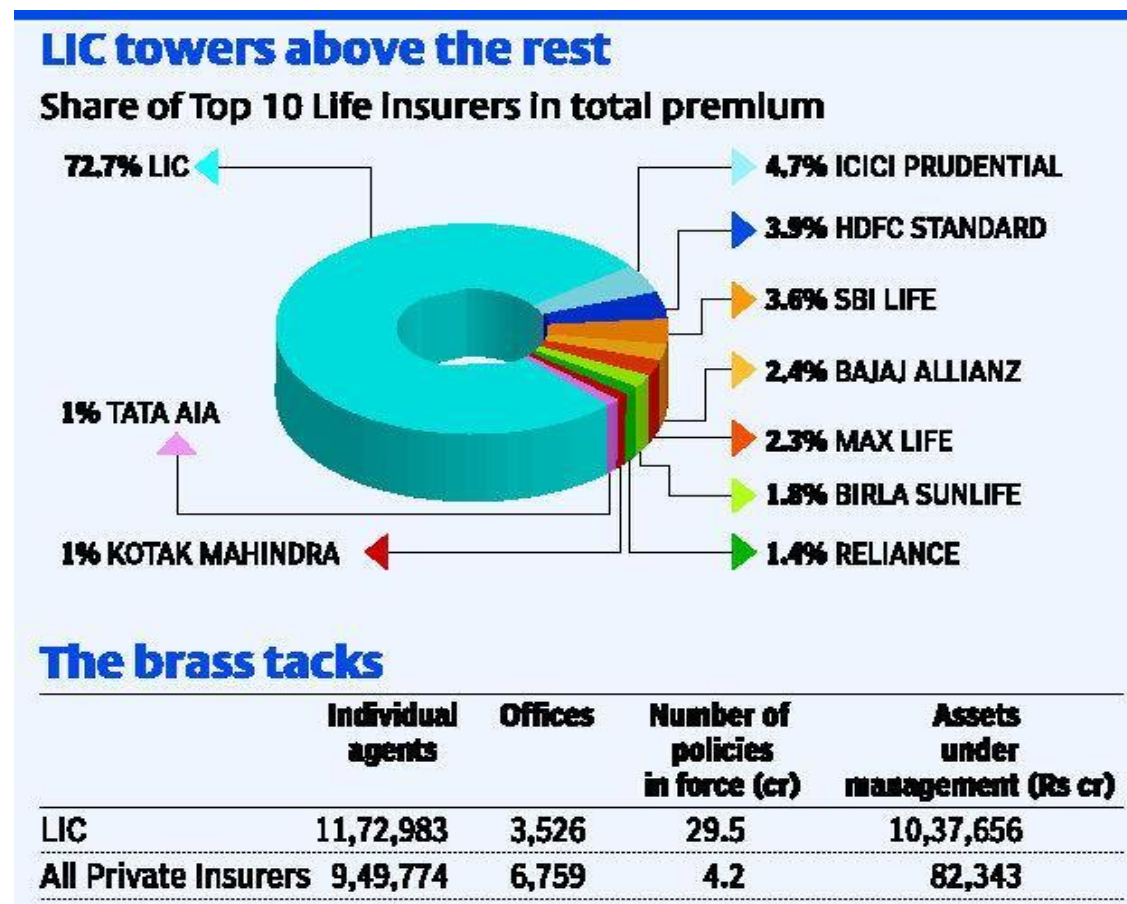
Before privatization, marketing and sales promotion activities were very limited in LIC with small number of advertisements in print media and television. After 2000, new private players resorted to aggressive marketing and advertisement strategies – something the market had never seen earlier. This sudden spurt of advertisements and awareness programs was visible on all the media channels. The new insurance companies used all channels of advertising from newspapers and the television to insurance agents and direct mailers. The new companies focused their campaigns primarily on building an image of trustworthiness and reliability for themselves. Secondly, their advertisements focused on insurance as an investment option and not a mere tax saving tool – another first for the Indian market. Most of these advertisements carried messages like the family's happiness, human bonding, etc., with underlying emphasis on the security that insurance could provide. Also, instead of projecting the idea, that an insurance policy actually starts working only after the death of the insured, the new campaigns projected that insurance protects people throughout their lives.

With private players paying much attention to advertising and promotional activities, LIC, also launched various advertising campaigns to increase its visibility and enhance its brand image. The company commenced intense, systematic and well-focused public relations and publicity activities both at the corporate and operational levels. Several sports events were co-sponsored by the company and special publicity activities with a social purpose were undertaken. LIC came out with a corporate advertisement on TV with the punch line, 'Zindagi Tumhari Roshan Rahe' (May your life be glorious). LIC reinforced the themes 'Why go anywhere else', 'Jab LIC ka ho saath toh fikar ki chodo baat' and 'Jindagi ke saath bhi aur jindagi ke baad bhi' to have a strong appeal in customer's mind.

LIC – A Market Leader

Although life insurance sector was opened to private players more than 14 years ago and since then 23 private players have entered into the market, but still Life Insurance Corporation of India has managed to retain its position as market leader. LIC still dominates the sector with

approximately 73 per cent share in all new premiums collected. Of the total 34-odd crore policies in force, 29 crore are from LIC.



In the last five years, LIC has gained 2 percentage points in market share from private players. After the 2008 stock market debacle, unit linked plans that private players offered suffered a setback, with investors moving back to traditional plans — an LIC stronghold. While the LIC towers over the life insurance market, 23 private players fight intensely to divide up the rest of the pie. The largest of them, ICICI Prudential, has a 4.7 per cent share in new premiums. Only five other players have more than 2 per cent market share.

CONCLUSION

In spite of increase in competition and aggressive marketing of private players, LIC is still a market leader with more than 70% market share in life insurance sector. It can be said that LIC did a commendable job by bringing about changes in its marketing strategy. LIC tried its level best to cope with the marketing initiatives of the private insurance companies.

The market share which the private companies were taking away from LIC was an eye opener for LIC who was once enjoying monopoly position in the market. The private companies were taking

away the market share by bringing new and innovative products to suit the needs of customers, building a strong distribution network, strong advertisement and finding new markets for their products.

LIC, which was moving on traditional pattern, revitalized itself to regain its market share and image and came up with new marketing and sales promotion techniques. LIC of India has well managed to take the spirit of competition in a positive way which has helped the corporation to grow further with high strength of mind in contribution to the growth of the country. These changes proved to be fruitful for LIC.

REFERENCES

1. M.N. Mishra, S.B. Mishra, Insurance Principles and Practice, S. Chand & Company P. Ltd., New Delhi, 2013.
2. Dr. Naresh Mahipal, An introduction to insurance laws, Central Law Publications, Allahabad, 2012.
3. Pathak, P. and Singh, S. "increasing competitiveness through marketing – a case study of life insurance corporation of India", the alternative journal of management studies and research, 2003, vol. 2, no. 1.
4. Eldhose. V and Kumar. G. "customer perception on life insurance services: a comparative study of public and private sectors", insurance chronicle ICFAI monthly magazine, 2008, August.
5. Keerthi, P.A and Vijayalaxami, R. "a comparative study on the perception level of the services offered by LIC and ICICI prudential" Indian journal of marketing, 2009, August.
6. Gautam Vikas "service quality perceptions of customers about the insurance companies" Indian journal of marketing, 2010, March.
7. Dr. Arnika Srivastava, Dr. Sarika Tripathi, "Indian Life Insurance Industry – The Changing Trends", International Refereed Research Journal, 2012, April, Vol. – III.
8. <http://en.wikipedia.org>.
9. www.licindia.in.
10. <http://www.thehindubusinessline.com/opinion/lic-the-kingpin>.