



RECENT TRENDS AND MARKETING STRATEGIES OF LIFE INSURANCE CORPORATION OF INDIA

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ABSTRACT

Life Insurance Corporation of India (LIC) is a monolithic company from last few decades. After the successful implementation of economic reforms in life insurance sector in India, LIC of India has made several positive efforts to triumph the hearts of the people. To achieve that LIC of India have adopted a number of new trends in marketing strategies for introducing innovative technologies. This study is an attempt to know about the recent trends followed by LIC of India in order to make their products available to each and every forthcoming customer in the life insurance market. The present research paper is a comprehensive study to know whether the implemented strategies have truly helped LIC of India in the changing trends of the society and will also suggest how these recent trends have helped LIC of India as a whole to manage the existing leading position in the life insurance market.

KEYWORD

L.I.C. of India, CSR, Stakeholder, Society., I.R.D.A., Marketing strategies, Insurance sector, corporate communication, International Joint ventures, Bank assurance and Alternate Channels.

INTRODUCTION

The insurance sector in India has completed a full circle from an open competitive market to nationalization and then back to liberalized open market. LIC of India has been the bystander of the entire transformation from one phase to another. In 2000, when Insurance Regulatory and Development Authority (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.

Insurance Regulatory and Development Authority (I.R.D.A.) came into function on 19th April, 1999 as an autonomous body in the life insurance sector in India. The main objective of IRDA is to regulate and register the life insurance companies operating in India. With the advent of competition, LIC of India was forced to change its business processes. In January 2000, it adopted three-pronged business strategies for business, which involved reduction in premiums, higher returns and introduction of new products. International consultants Booz Allen & Hamilton were hired in 2000, to advise LIC of India on the changes needed in the organization. In 2001, LIC of India 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.

LITERATURE REVIEW

While earlier studies on Life Insurance sector have altogether been a general study on overall view of LIC of India. It is relevant to refer briefly to the previous research studies in the related areas of the present study in order to avoid repetition and also to search out the different dimensions of the study. Among earlier studies, Arora (2002) highlighted that LIC was likely to face tough competition from private life insurers in spite of having large conventional network and their skilled intermediaries throughout India. Kumar and Taneja (2004) highlighted the opportunities and challenges before life insurance industry in India due to liberalization, globalization and privatization. Bhattacharya (2005) advocated that bancassurance provided the best opportunities to tap the large potential in rural and semi urban areas. He suggested that the insurers should focus on Single Premium policies, Unit Linked Insurance, Pension Market and Health Insurance. Kulshrestha and Kulshrestha (2006) highlighted that demand for life insurance in rural India was expanding at the annual rate of 18 per cent as compared to 3.9 per cent in urban areas which provided good opportunity for life insurers to perform. Reenu (2011) have highlighted the different strategies in relation to 3Ps under life insurance market. Vikas (2012) have made an effort to analyze a comparative study based on private and public life insurance companies.

OBJECTIVES OF THE STUDY

The research study will be based on two main objectives:

1. To know and understand of policies of Life Insurance Corporation for social Responsibility.
2. To know about the recent trends in the marketing strategies adopted by LIC of India.
3. To study the activities of Social Responsibility undertaken by Life Insurance Corporation of India since 2000.

PURPOSE OF THE STUDY

LIC of India plays a vital role in the growth of life insurance sector and also to the economic development of the country. Since economic reforms the life insurance sector is changing rapidly due to the continuous change in the customer needs and preferences. These changes have helped in a great number to both the urban and rural consumers. Life Insurance Corporation of India has worked continuously hard to grow since 2000. In order to increase its business LIC of India has increased their life insurance offices. Table1 gives statistical data related to the contribution of LIC of India to total industry in terms of life insurance offices since 2000.

Table 1 : Statistics of offices of Life Insurance Industry in India since 2000

Year	Offices of LIC of India	Offices of Total Industry	Contribution of LIC to Total Industry (in %)
2001	2186	2199	99.41
2002	2190	2306	94.97
2003	2191	2445	89.61
2004	2196	2612	84.07
2005	2197	3001	73.21
2006	2220	3865	57.44
2007	2301	5373	42.83
2008	2522	8913	28.30
2009	3030	11815	25.65
2010	3250	12018	27.04
2011	3371	11546	29.20
2012	3455	11167	30.94

Source: Annual Reports of LIC of India 2000-2001 to 2011-2012

From table 1 it is clear that though the life insurance offices are increasing continuously but as far as the contribution of LIC of India, it is decreasing from 2001 to 2012 from 99.41% to 30.94%. This is a tremendous fall in the number of offices opening throughout the country. This definitely has affected in the overall performance of LIC of

India. This will be clear by observing the data through graphical representation shown below in Figure 1.

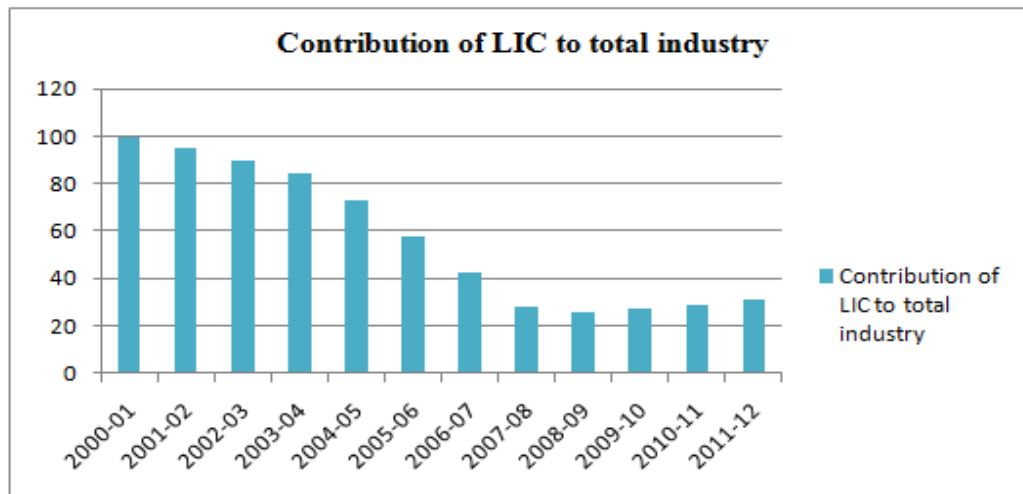


Figure 1 Contribution of LIC of India to Total Industry (in terms of offices)

We have seen that the contribution of LIC of India over the years since 2000 in terms of opening offices is decreasing. This has a direct impact on the overall performance of the company. Thereby, the purpose of the present research study is to find whether the present contribution of LIC of India is worth and if not then what extent of changes will be required for the growth of the entire society.

HYPOTHESES OF THE STUDY

In order to achieve the defined purpose of the research study following hypotheses have been considered:

5.1 Is the recent trends in marketing strategies adopted by LIC of India are fulfilling the Customer's needs and preferences.

5.2 It is believed that," Life Insurance Corporation of India has exercised a positive contribution to Society by way of various scheme of Social Responsibility to various stakeholders".

RESEARCH METHODOLOGY

The research methodology adopted for this study is basically related to the evolutionary research method. The research study is based on the secondary sources for collecting data. The secondary data consisted of Annual reports of LIC and IRDA and also some other published journals and magazines of LIC like Yogeashema monthly journal, Pragati quarterly magazines for the concerned topics of related years. The present research

study is mainly based on the Annual reports of I.R.D.A. and LIC of India for important data of respective years since 2000 till 2012. The research study has also collected some information from websites of LIC and IRDA.

DATA COLLECTION AND ANALYSIS

The research has mainly focused its findings based on the Annual Reports of LIC and IRDA for respective years and also from Life Insurance Today. Besides, a few websites of LIC and IRDA have also been consulted to collect data related to the research study. The data used in the paper covers the period from 2000 to 2012. Based on the collected data analysis has been done with appropriate observation techniques.

Product Development Strategies of Life Insurance Corporation of India “Change is the need of the society”

Since after the setting up of IRDA it had become imperative for LIC of India to face the competition posed by the entry of new private players. Life Insurance Corporation of India not only managed to uphold the high pressure confidently but is also improving its performance day by day. According to the changing demand of the society LIC of India has changed a lot in the nature of products they offer to their customers. LIC of India 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. All these varied products give a strong marketing orientation to LIC of India. The product line of LIC of India includes products like several Endowment plans, pension plans, unit link plans, money back plans, health insurance plans etc.

LIC of India offers certain special plans like Micro insurance (MI) plans like Aam Aadmi Bima Yojana, Janshree Bima Yojana and Shiksha Sahjog Yojana. In Micro insurance LIC of India offers insurance policies for people below poverty line (BPL). It is a low premium policy where government of India also contributes a proportion of total premium. The Micro Insurance policies are sold through a specialized well placed distribution channel comprising of NGOs, SHGs, MFIs, Corporate Agents, select conventional agents and Section 25 companies. In its Health insurance plans LIC of India has recently introduced a new 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 of India is continuously under the product development phase of introducing new products to cater the up growing needs of the consumers.

Marketing Strategies Adopted by LIC of India

In order to facilitate their consumers expediently LIC of India has adopted wide-ranging marketing strategies to acquire reach, frequency and impact onto the panorama of life insurance coverage. This section of the research study will focus on the diverse marketing strategies adopted by LIC of India to reduce the competitive pressure and uphold their first position in the Indian life insurance market.

“Individual satisfaction leads to Group satisfaction”

Facilities to their existing employees

LIC of India believes and functions on the principle that if they have to continue as a market leader then it is imperative that the employees of the organization should be satisfied. LIC of India have worked thoroughly and introduced many new strategies as a part of marketing tool to satisfy their employees. LIC of India provides amenities to their employees such as:

(a) Housing Loan to Agents

LIC of India offer home loans to the agents of the corporation under the Agents Housing Scheme. LIC of India has a separate sister concern working under LIC- HFL from where many housing schemes are transferred for better throw.

(b) Meal Coupons to employees

In Sep. 2010, LIC of India has launched a very unique facility to their employees at every level. The amount of Meal coupon is decided depending upon the hierarchical position of every employee. The organization is also planning to introduce petrol/Diesel/CNG coupons for their employees very soon.

(c) Sports

The employees of LIC of India are encouraged to take part in several sports activities for physical fitness and overall personality development. The employees of LIC of India have also represented the corporation at various national and international echelons. With a view to retain competitive excellence in the field of sports and to compete on equal footing with other organizations, LIC of India has recruited many employees from their Sports Recruitment Quota.

(d) Employees' Training

LIC of India has started providing training to their employees at every hierarchical position. LIC of India has formed a separate Human Resources Development / Organizational Development (HRD/OD) Department 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. LIC of India has organized training programs at IIM's, MDI Gurgaon, certificate AWI program by CII England and many others.

Increasing the number of individual 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 of India have more than 23378 authorized Agents across the country, which can collect the premium (including ULIP but excluding HI Policies) in CASH or CHEQUE and can issue a valid receipt instantly.

Introduced Life - Plus Offices

LIC of India has introduced a new and unique system in May 2009 as Life- Plus office to lower down the heavy rush on Branch offices cash centers. Life- Plus office is being maintained by LIC of India and 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, loan / surrender value policy status etc. which has become a most successful channel and reduce burden of Branch offices and somehow working as Mini Branch offices of LIC of India.

Increase in Women employees

LIC of India was finding difficulty in providing services for women especially in rural and semi urban locations. Henceforth, LIC of India has planned to recruit many women employees in the organization. At every stage in the Corporation, women officers/employees have contributed significantly. In the Corporation, Committees for prevention of sexual harassment are formed at the workplace. These committees are functioning effectively at Central Office, Zonal Office and Divisional Office level so that the working of female employees must not get affected and can thoroughly contribute towards economic development of LIC of India and also for the country as a whole.

Table 2 gives information regarding the strength of women employees in the various categories at different levels in the organization till 31st March 2012.

Table2 Number of Female Employees in LIC of India

Category Employees	Total Number	No. of Women
Class-I Officers	28417	5375
Development Officers	25638	861
Class III/IV employees	65712	18059
Total	119767	24295

Source: 55th Annual Report of LIC of India

The total population of women in India is 614.4 million in comparison to the total men population 655.8 million. It is very essential to have a separate marketing strategy for such a huge populace. Table 2 put in force to have new marketing strategies to be adopted by LIC of India to capture the female market and the present need for women empowerment.

Bancassurance and Alternate Channels

There are many Banks who work as the corporate agents for the corporation and have contributed in the Bima Bank campaign and has encouraged New Business performance. Dena Bank and Corporation Bank are few examples of corporate banks. The Bancassurance & Alternate Channels share to total businesses 1.66% in Number of Policies (NOP) and 4.17% in First Premium Income (FPI).

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 of India has made a consistent media presence in national and regional media. LIC of India has also sponsored many programs of National and International regimes. LIC of India has 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, YouTube etc.

Recently, LIC of India have reinforced the theme ‘Why go anywhere else’ to have a strong appeal in customer’s mind.

International Joint Ventures

LIC of India deem its operations not only within the country but also have established its various operations outside the country. LIC of India has opened its first branch on 23rd July, 1989, in Bahrain to cater the life insurance needs of Non-Resident Indians (NRIs) and local population in the Gulf by issuing life insurance policies in US Dollars. LIC of India directly operates through its branch offices in Mauritius (Port Louis), Fiji (Suva & Lautoka) and United Kingdom (Wembley). LIC of India also has its branches in Nepal, Lanka and Kenia. LIC of India have recently finalized a joint venture company in Saudi Arabia and is now planning to foray into New Zealand, Australia and some more Asian and African countries.

VARIOUS CSR SCHEMES OF LIC

LIC offers life insurance under Group policies to various groups such as employer, employees, professionals and weaker sections of society. The main features of Group

Insurance Schemes are low premium and simple insurability conditions. Some of the group insurance schemes are Group term insurance schemes, Group gratuity scheme, Integrated Rural schemes. LIC also offers insurance coverage to people below poverty line under social security group schemes. A brief detail of these schemes are mentioned as below:

1. JANASHREE BIMA YOJANA - The objective of the scheme is to provide life insurance protection to the rural and urban poor persons below poverty line and marginally above the poverty line. Through JBY 5190 schemes covering 91.02 lakh new lives were finalized under 45 approved occupations during the year 2009-10.

2. AAM ADMI BIMA YOJANA - In a rural landless household, when everyday living is a struggle, it is difficult to face life with a smile. Total 36227 death claims amounting Rs. 2394452 crore paid to family of rural landless is covered under the scheme as on 31.03.2010.

3. SHIKSHA SAHAYOG YOJNA - This is a scholarship scheme launched on 31.12.2001 for the benefit of children of members of Janashree Bima Yojana. Scholarship of Rs 300/- per quarter per child will be paid for maximum period of 4 years. The benefit is restricted to two children per member (family) only. Scholarship of Rs. 88.90 crore was disbursed to 9, 12,281 students as a free add on benefit to the children of the members of JBY under SSY during the year 2009-10. Scholarship of Rs. 4.15 crore was disbursed to 83,569 students as a free add on benefit to the children of the members of AABY under SSY during the year 2009-10.

2.40 Crore of lives were given insurance cover under various social security schemes in the year 2009-10.

INVESTMENTS: The LIC has been investing its fund in different sectors of economy. The forms of Investments include investment in government securities, shares and debentures of companies, Corporations etc. The total investment in these sectors during 2009-10 was Rs. 20,808.74 crore. The investment by way of central, state and government securities, loans, debentures and equity investments to Rs. 6, 49, 808 crore. In addition, LIC huge amount of money goes to social /community development in different parts of the country such as to Prime Ministers' National Relief Fund, Chief Ministers' Relief Funds of various states as also Rajiv Gandhi Foundation to help relief measures in case of calamities such as Earthquake, Tsunami etc.

LOANS TO SOCIAL & ECONOMIC PROGRAMMES: The LIC has been providing loan funds to various social and economic development programmes in the country such as loan to development of housing sector, power sector and other developmental projects.

INSURANCE BUSINESS IN VILLAGES: The LIC pays more attention to spread business in rural and village areas. The New Business from rural areas amounts to Sum Assured of Rs. 78, 95.11 crore under 1.02, 49, 643 policies representing 26.39% and 18.43% share of policies and Sum Assured respectively completed during the financial year 2009-10. LIC Golden Jubilee Foundation: With a view to channelize social responsibilities, LIC formed a Public Trust named 'LIC Golden Jubilee Foundation'. The main objectives of the Golden Jubilee Foundation are:

1. Relief of poverty or distress.
2. Advancement of Education
3. Medical Relief
4. The advancement of any other object of general public utility. As on 31st March 2010, LIC has provided a corpus of Rs. 80 crore to this foundation for funding various projects for charitable purposes.

MICROINSURANCE: This scheme is the protection of low-income people and may cover various risks such as life, health, disability, property and crop insurance. Micro insurance is recognized as a useful tool in economic development. During the year 2009-10, total number of policies covered under micro insurance was 19.85 lakh amounting first premium income of Rs. 36.15 crore.

CONCLUSIONS

The present state of Life Insurance Sector in India is awe-inspiring as far as the awareness of customers is concerned. The customers of today are well aware about the different alternatives that support them the best to fulfill their desires. 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. There are few more areas where contribution of the corporation in the life insurance sector needs to be updated. The present research study thus reveals those important areas where more contribution on the part of LIC of India is required. The one is to increase in the number of offices both in urban and rural areas which will help the corporation to increase their business and reach among the customers. LIC of India should also open more Life- Plus offices and authorized collection centers to make its objectives achieved in true way to spread the life insurance business in every nook and corner of the country. LIC of India should concentrate on agents' training to make them updated as per market requirements and professionalism to tackle the queries of customers and doubts raised in their mind by other life insurance

competitors of the market. LIC of India must increase their agent's base to retain its dominating market share because agents are the backbone of the corporation. The increased number will not only help the corporation to facet their visible presence in the market but also in turn help in increasing their business volume too.

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