

## A STUDY ON THE PRODUCT DEVELOPMENT AND MARKETING STRATEGIES OF THE LIFE INSURANCE CORPORATION OF INDIA

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### **Abstract**

*Insurance Regulatory and Development Authority (I.R.D.A) came into operation on 19<sup>th</sup> 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-sided 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 the 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 receive the policy premiums paid by customers. In this context, this paper analyses the recent trends in the product development and marketing strategies adopted by the LIC of India to attract more and more of customers to it is fold.*

### **Introduction**

LIC of India was set up in the year 1956, when the life insurance business was nationalized. It took over the assets and liabilities of 245 private insurers. Out of them 54 were Indian Insurers, 16 were Non-Indian Insurers and 75 were Provident Societies. Since nationalization, LIC with its head quarters at Mumbai has built up a vast network of 2048 branches, 100 divisional offices and 7 zonal offices spread over the country with 7.92 lakh agents. The LIC of India transacts business abroad and has branches in Fiji, Mauritius and U.K. The huge amount of balance in the life fund of LIC can be utilized for improving the basic facilities such development of roads, railways, water supply schemes, electricity generation, construction of dams, canals etc., and financing the industries of our country. Hence the LIC of India is likely to play a significant role in changing the economic landscape of India.

### **Objectives of the Study**

This research study has the following objectives:

1. To focus on the recent trends in the product development and marketing strategies adopted by the LIC of India.
2. To judge whether the new marketing strategies have helped the LIC of India to increase its business volume.

## Research Methodology

### (a) Sources of Data

The research study is based on the secondary sources for collecting data. The secondary data consisted of the annual reports of LIC and IRDA and also some other published journals like *yogakshema* and *pragathi*. 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 from 2000 to 2014.

### (b) Data Collection And Analysis

This research has mainly derived its findings from 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 2014. Based on the collected data, analysis has been done with statistical techniques.

### Trends in Branch Expansion

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 deal 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 opened new branches over the years and it has contributed for the growth of the industry since the year 2000 and this fact is presented in the following table

**Table 1: Number of offices of Life Insurance Industry in India since 2001**

Years	Offices of LIC of India	Offices of all insurance companies	Percentage share of LIC to Total Industry
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
2013	3526	10285	52.16
2014	4839	11032	78.13

Source: Annual reports of IRDA 2000-2001 to 2013-2014

From the table 1, it is clear that the life insurance offices are increasing continuously from 2001 to 2014 but as far as the percentage share of LIC of India, has declined from 2001 to 2014 from 99.41 % to 78.13%. This is a tremendous fall in the number of offices operating throughout the country. This definitely has affected the overall performance of the LIC of India.

#### **Strategies of Product Development**

After the setting up of IRDA, it became imperative for the LIC of India to face the stiff competition posed by the entry of new private players. Life Insurance Corporation of India not only managed to withstand the high pressure confidently but it is also improving its performance day by day. According to the changing demands of the society, LIC of India has changed a lot in the nature of products it offers to its 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 the varied products listed below give a strong marketing orientation to the LIC of India.

- (a) The product line of LIC of India includes products like several Endowment plans, Pension plans, Unit linked plans, Money back plans, Health insurance plans etc.
- (b) LIC of India offers certain special plans like Micro insurance (MI) plans like Aam Aadmi Bima Yojana, Janshree Bima Yojana and Shiksha Sahjog Yojana.
- (c) Micro insurance LIC of India offers insurance policies for people below the poverty line by charging a low amount of premium where the Government of India also contributes a sizeable proportion of total premium.
- (d) 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.
- (e) In regard to health insurance plans, LIC of India has recently introduced a new policy which provides hospital cash benefits. Under this plan, hospital cash benefit increases by 5% of basic benefit, if there is no claim from the policy holder. In a single health policy, the entire family of the policy holder can be covered. LIC of India is continuously under the product development phase of introducing new products to cater to the upgrowing needs of the consumers.

#### **Strategies of Marketing**

In order to facilitate their consumers expediently, LIC of India has adopted a wide-range of 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 varied marketing strategies adopted by the LIC of India to reduce the competitive pressure and uphold their first position in the Indian life insurance market. LIC of India believes and

functions on the principle that if it has to continue as a market leader, then it is imperative that the employees of the organization should be a satisfied. LIC of India has worked meticulously and introduced many new strategies as a part of marketing tool to satisfy their employees.

**a) Housing Loan to Agents**

LIC of India provides home loans to the agents of the corporation under the Agents Housing Scheme. LIC of India has a separate sister concern known as LIC-HFL from where many housing schemes are offered to the borrowing public.

**b) Meal Coupons to employees**

In sep. 2010, LIC of India launched a very unique facility to their employees at every level. The amount of meal coupon was designed 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) Recruitment of sports persons**

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 sports and games. With a view to retain competitive excellence in the field of sports and to compete on an equal footing with other organizations, LIC of India has recruited many employees from its Sports Recruitment Quota.

**d) Training to Employees**

LIC of India has started providing training to their employees at every hierarchical position. LIC of India has formed a separate Human Resources Development 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 the zones using in-housed as well-as National/ International Training Institutions of repute.

**e) 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 and expansion of the LIC's business. LIC of India has 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.

**f) Introduction of Life-plus Offices**

LIC of India has introduced a new and unique system in many important locations Life-plus offices to reduce the heavy rush in Branch offices and cash centres. Life-plus office is being maintained by the 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 purchase, new policy, get I.T. certificate, obtain loan, enquire about

surrender value, know the policy status etc. This has become the most successful channel and it reduces the burden of branch offices by working as Mini Branch offices of the LIC of India.

**g) Appointment of women employees**

The total population of women in India is 614.4 million in comparison to the total men population of 655.8 million. It is very essential to have a separate marketing strategy for such a huge population. LIC of India was finding difficulty in providing services for women especially in rural and semi urban locations. Henceforth, LIC of India has recruited 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.

**h) Bancassurance and Alternate Channels**

There are many Banks who work as the corporate agents for the corporation and they have contributed to the Bima Bank campaign. The Bancassurance & Alternate Channels share to total business 1.66% in Number of policies (NOP) and 4.17% in first Premium Income (FPI).

**i) Propagation of Brand Image through Publicity media**

LIC of India always has a thrust to fortify "The LIC Brand" and to reinforce it with the emerging market segments. In order to achieve that, LIC of India has made a consistent media presence in national and regional media. It has also sponsored many programmes of National and International coverage. 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 of All India Radio, TV channels and on websites like Facebook, Orkut, Twitter, You tube etc.

**j) International Joint Ventures:**

LIC of India conducts its operations not only within the country but also outside the country. LIC of India opened its first branch on 23<sup>rd</sup> July, 1989, in Bahrain to cater to the life insurance needs of Non-Resident Indians (NRIs) and local population in the Gulf by issuing life insurance policies in US Dollars. Directly operates through its branch offices in Mauritius, Fiji and United Kingdom has its branches in Nepal, and Srilanka also it has 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.

### Impact of New Marketing

We have gone through the recent trends in the marketing strategies implemented by the LIC of India in the past few years at different vicinities. To study the impact of all those marketing strategies adopted by the LIC of India on their business volume, it is essential for our research study to have an eye on two important aspects. One is on the count of the number of policies (NOP) and another on the count of premium earned by the LIC of India. According to our research methodology, the research study will incorporate the entire period right from 2000 to 2014 which will help us to have an analytical vision on the impact of marketing strategies adopted throughout that entire period.

Table 2 gives information regarding the number of policies sold and the premium earned by the LIC of India from 2000 to 2014.

**Table 2: No of Policies and Premium underwritten**

years	No. of Policies	Premium underwritten Rs (in crores)
2000-01	19673320	36063.28
2001-02	2249104	49821.91
2002-03	24545580	54628.48
2003-04	26968069	63167.60
2004-05	2978123	75983.37
2005-06	31590707	90759.20
2006-07	38229292	127782.26
2007-08	37612599	149705.59
2008-09	35912667	157186.55
2009-10	38863450	185985.91
2010-11	37038751	203358.05
2011-12	35751238	202802.90
2012-13	36320864	2553074.28
2013-14	34210302	2922770.56

Source: Annual Reports of LIC of India since 2000 till 2014.

From the above Table, it can be clearly observed that there is an overall growth in number of policies from 19673320 in 2000-01 to 34210302 in 2013-14 except a small number of down falls in some years. Despite a few down falls in the number of policies in the LIC of India has managed to have a continuous growth in the premium earned from Rs. 36063.28 crores in 2000-01 to Rs.2922770.56 crores in 2013-14. Though there is a fall in the policies it has not directly affected the business volume significantly.

### Suggestions and Conclusion

The present state of Life Insurance Sector in India is impressive as far as the awareness of customers is concerned. The customers of today are well aware of the different alternatives that support them the best to fulfill their desires. LIC of India has

managed well to take the spirit of competition in a positive way which has helped the corporation to grow further with single minded devotion to contribute 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.

- (a) One of them is to increase the number of offices both in urban and rural areas which will help the corporation to increase their business and reach among the customers on a wider scale.
- (b) LIC of India should also open more life-plus offices and authorized collection centers to make its objectives achieved in a true way to spread the life insurance business in every nook and corner of the country.
- (c) LIC of India should concentrate on training the agents 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.
- (d) 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 feel their visible presence in the market but also in turn will help in increasing their business volume too.

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