

## LIFE INSURANCE INNOVATIONS - AFTER LIBERALIZATION

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### Abstract

Life insurance is one of the most vibrant financial services in India. After the introduction of the policy of Liberalisation, Privatization and Globalization, the sector has witnessed sea change in terms of Policies, Marketing strategies and volume of business. Now, the Life Insurers are very particular in fulfilling the creative needs of present and prospective customers. In this background, the authors have made an attempt to examine the emerging trends in the Life insurance sector in India especially after the introduction of the policy of Liberalization since the earlies of 90's. It also presents the major strategies adopted by the Insurance Companies to tackle the present crisis and the challenges of life insurance business in India.

Both Primary and secondary data were collected and used for the purpose. The primary data were collected through interviews and discussions with the officials concerned of both the LIC and private sector insurance companies. The secondary data were collected from the published and unpublished reports of both the LIC and various private sectors insurance companies, books, journals, related web sites etc.

**Key Words:** Life insurance. Innovations, LPG, Private Players, Group Insurance.

### Introduction

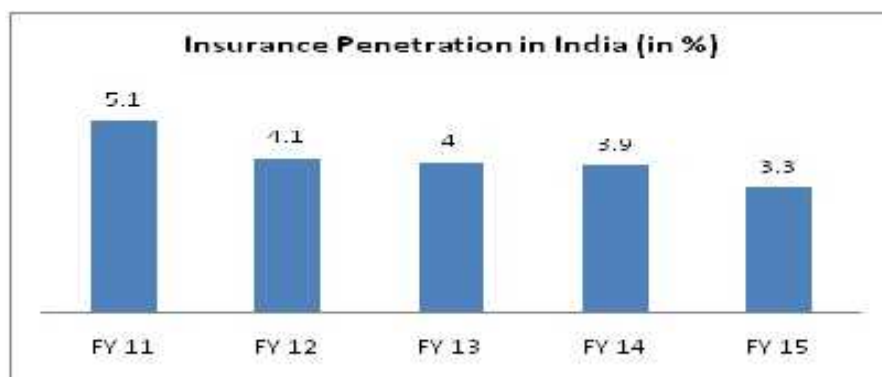
Insurance is one of the major sectors in the area of service. Next to Banking, insurance provides many services and immense help to the customers. Once, insurance companies sought after the initiatives for its survival. But today, customers sought after the services of the insurance companies for their betterment. Risk and uncertainties is becoming a regular feature of today's life. Hence, insurance becomes an inevitable and inseparable service for the people as a whole.

### Why We Need Life Insurance?

Insurance helps the individuals in the following ways.

- Protection for present & future
- Liquidity of funds
- Tax Benefits
- As an Investment/Saving mechanism
- Collateral for Loans
- Old age Pension

India is the world's 11th- largest life insurance market and the 5<sup>th</sup>-largest in the Asia-Pacific region; in nonlife, it ranks 21<sup>st</sup> in the world and 6<sup>th</sup> in the Asia - Pacific region. This success can be attributed to significant growth over the last decade, driven by a developing economy, lucrative tax benefits, a growing middle class, rising disposable incomes and increased awareness about the need for insurance. The structure of Insurance industry in India can be shown in the following diagram.

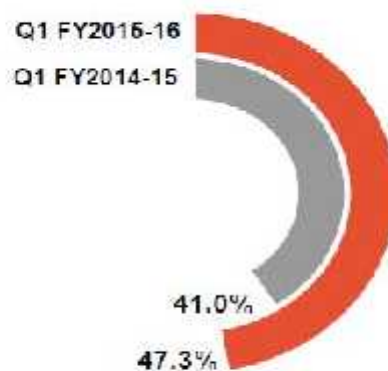


**Current state of distribution across geographies**

The market share of private life insurance players during the latest two periods is shown in the following figure.

Country	agency	banc assurance	Telemarketing	virtual	Website marketing	micro	Wealth mgmt	takaful
Australia	mature	mature	Mature	Mature	Growing	-	Mature	-
China	Mature	Growing	Emerging	Emerging	Emerging	Emerging	Emerging	-
Hong Kong	mature	Mature	Mature	Growing	Emerging	-	Mature	-
India	Mature	Growing	Growing	Emerging	Emerging	Growing	Emerging	-
Indonesia	Mature	Growing	Emerging	Emerging	Emerging	Emerging	Emerging	Growing
Japan	Mature	Mature	Mature	Mature	Mature	-	Mature	-
Malaysia	Mature	Growing	Emerging	Emerging	Emerging	Emerging	Emerging	Growing
New Zealand	Mature	Mature	Mature	Growing	Growing	-	Growing	-
Philippines	Mature	emerging	Emerging	Emerging	Emerging	Emerging	Emerging	-
Singapore	Mature	Mature	Growing	Growing	Emerging	-	Growing	Emerging
South Korea	Mature	Mature	Mature	Mature	Emerging	-	mature	-
Taiwan	Mature	mature	Growing	Mature	Emerging	Emerging	Growing	-
Thailand	Mature	Growing	Emerging	Emerging	Emerging	Emerging	Emerging	Emerging
Vietnam	mature	Growing	Emerging	Emerging	Emerging	Emerging	Emerging	-

**Comparison of market share of private life insurers**

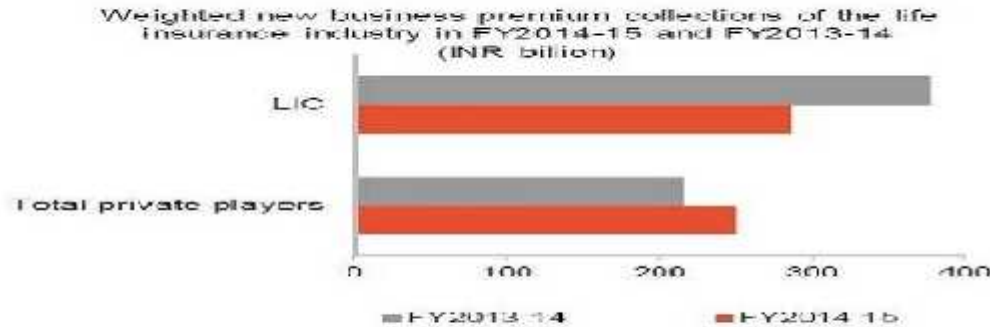


Source: IRDAI

The details of life insurance premium collected and number of polices issued are shown below.

Business figures - Life										
Ref: March, 2015					Date: 27-07-2015					
First year premium of Life insurers for the period ended 31-March-2015										
First year premium of Life insurers for the period ended 31-March-2015					Premium in crore					
Sl no.	Insurer	Premium			NO of policies/ schemes			No of lives covered under group schemes		
		For March 2015	Up to 31 <sup>st</sup> March 2015	Up to 31 <sup>st</sup> March 2014	For March 2015	Up to 31 <sup>st</sup> March 2015	Up to 31 <sup>st</sup> March 2014	For March 2015	Up to 31 <sup>st</sup> March 2015	Up to 31 <sup>st</sup> March 2014
	Private total	6624.19	34840.01	29511.99	1020945	5738812	6360317	10781238	70589865	46915324
	Individual Single premium	512.92	2880.58	2153.80	98141	361860	465291			0
	Individual non single premium	3516.80	1970495	17026.01	921926	5371055	5889344			0
	Group single premium	1801.14	8010.40	6576.24	426	1781	1752	2929189	15779946	20860391
	Group non single premium	793.33	4244.07	3755.95	452	4116	3930	7852049	54809919	26054933
24	LIC	15938.02	78303.64	90644.57	4348617	20171063	34511781	6691666	52271508	47094727
	Individual Single premium	1578.13	13346.96	14730.56	189657	1651218	1826434			
	Individual non single premium	3530.37	19439.18	27047.04	4154645	18486673	32653996			
	Group single premium	10267.85	41926.68	44035.17	5	10	122	73368	1134227	3093803
	Group non single premium	561.67	3589.81	4831.80	4310	33162	31229	661828	51137281	44000924
	Grand Total	22562.21	113142.65	120156.56	5369562	25909875	40872098	17472904	122861373	94010051
	Individual Single premium	2091.05	16227.56	16884.36	287798	2013078	2291725			0
	Individual non single premium	7047.17	39144.13	44073.05	5076571	23857728	38543340			0
	Group single premium	12068.99	49937.08	50611.41	431	1791	1874	3002557	16914173	23954194
	Group non single premium	1355.00	7833.89	8587.75	4762	37278	35159	14470347	105947200	70055857

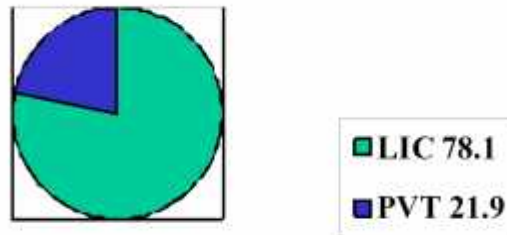
A picture of the performance of the LIC and Private Players is given below.



Source: IRDAI

### Performance

New business premium 2014-15  
 LIC OF INDIA: 78382.54 Crs  
 PVT insurers: 34840.81 Crs



Number of policies 2014-15  
 Lic of India: 20171063  
 PVT insurers: 5738812

### Life Insurance Products

The list of various life insurance Products is given below.

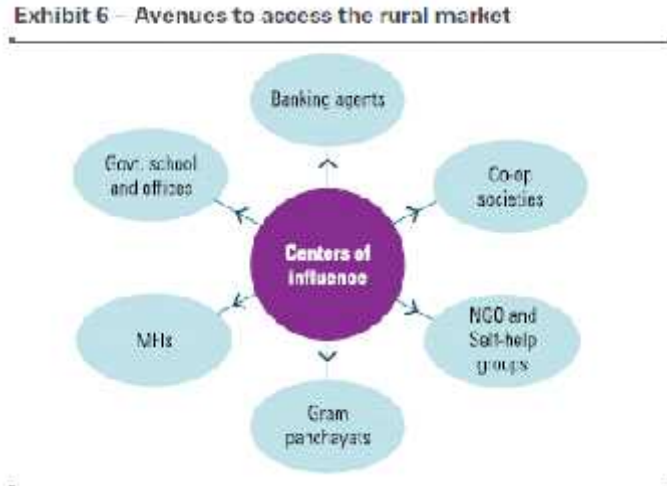
#### I. Individual Policies

- Basic life insurance Policies** It includes Whole life Policies, Endowment Policies, Jeevan Tarang & Jeevan Anand
- Term Assurance Policies** It consists of Anmol Jeevan I & Amulya Jeevan
- Specific Plan for Children** Eg. Komal Jeevan, Jeevan Kishore, Jeevan Chhaya, Children future plan, Children Career Plan etc.
- Plan for Handicapped Dependents** Eg., Jeevan Adhar, Jeevan Vishwans
- Unit Linked Plans** Eg Market Plus, Future Plus, Profit Plus
- Pension Plans** eg., Jeevan Akshay, New Jeevan Suraksha - I & Jeevan Nidhi

7. **Micro Insurance Plan eg. Jeevan Madhur ,**

8. **Other Plans** eg., New Jana Raksha, Jeevan Anurag, Jeevan Surabhi, Money back Plans, eevan Saathi, Jeevan Mithra, Jeevan Shree, Jeevan Bharathi, Jeevan Saral etc.

The following figure shows avenues to access the rural life insurance market



The various drivers for the growth of life insurance industry are presented in the following chart.

**Drivers for the Industry**

➤	Increase in the working population and higher disposable income
➤	Increase in awareness of various financial products including insurance
Growth of Financial industry as a whole	
➤	Need to invest for a secured future for self and for family
➤	Higher spends on consumer goods, travel, automobiles, facilities which are underlying drivers of various insurance lines
Growth of life and non-life industry	
➤	Increasing universe of potential insurance takers- individuals and companies across industries, SMEs, MNCs
➤	Expansion of the universe of insurance takers driven by Professionalization of companies
Promoting innovation and removing inefficiency Competition and orderly growth	
➤	Increasing focus on micro insurance under financial inclusion
➤	Increase in demand for motor insurance
➤	➤ Increase in costs of health care and Govt schemes on health care
Growth of specific insurance segments	
➤	Increasing number of providers offering a large range of covers at competitive prices and higher level of sophistication
➤	Regulations which are conducive for growth and expansion of industry

### Changing regulatory landscape with a progressive outlook

KEY CHANGES	ASPECTS COVERD	EXPECTED Impact		
		CUSTOMER	INSURERS	INTERMEDIARY
Increase In FDI Limits	<ul style="list-style-type: none"> <li>Increase In FDI limits From 26% To 49%</li> </ul>	Medium	High	Medium
OTHER CLAUSES: CONSULTATIVE APPROACH	<ul style="list-style-type: none"> <li>Elimination of standard expense limits</li> <li>Flexibility on the maximum commission</li> <li>Requirement of deposit with central bank withdrawn</li> <li>Elimination of renewal commission (non-agent)</li> <li>Appointment of advisors by insurers</li> </ul>	Low	High	High
BANKS AS INSURANCE BROKERS	Banks allowed the following: <ul style="list-style-type: none"> <li>Act as brokers for insurers</li> <li>Set up their own subsidiaries</li> <li>Undertake referral service for multiple companies</li> </ul>	High	Medium	High
INTRODUCTION OF IMFS	<ul style="list-style-type: none"> <li>Allowed to sell for two life, two non-life and two health insurers</li> <li>Allowed to sell other financial product also, such as mutual funds, banking products ,etc</li> </ul>	Medium	medium	High
FIDUCIARY RESPONSIBILITY TOWARD CUSTOMERS	<ul style="list-style-type: none"> <li>Strong governance process</li> <li>Greater accountability for intermediary actions</li> <li>Significant increase in penalty</li> </ul>	high	high	low

### LIFE INSURANCE AFTER LIBERALIZATION – ADOPTION OF INNOVATIVE STRATEGIES

The major strategies of life insurers are briefly given below.

- **Marketing of Life Insurance Policies through Agents** who are supervised by Development Officers. At present about 13.5 lakhs agents and 20,000 Development Officers are working under LIC. Private players also rely on Insurance Advisors for selling their Insurance products.
- **Marketing through Corporate Agents.** Institutional Agencies like KSFE Ltd. UCO Bank, Oriental Bank of Commerce, Centurial Bank, City Union Bank etc. undertake the marketing of Policies through their different branches.
- **Marketing through Brokers.** In addition to Individual Agents and Corporate Agents, Brokers like Reliance Company, TTK are working for the marketing of Policies of LIC
- **Advertisement through various media** like TV, Newspapers, Journals, Hoards, and Film Slides etc is used for increasing the sale of insurance products.
- **Marketing Intelligence wing** is also functioning under LIC. It conducts surveys as all aspects of insurance.
- **Marketing Research** is also undertaken by the LIC for identifying the prospective Policy holders and their actual needs.
- **Customer Relations Wing** is also functioning under LIC to tackle the problems of customers and make them more satisfied.
- **Market Segmentation -** Plan for Children eg., Komal Jeevan, Jeevan Kishore, Jeevan Chhaya, Children future plan, Children Career Plan etc.
- **Brand establishment,** Need based Selling and after sales services are performing to capture more markets.
- **Market forays into untapped segments** like female/ children/NRI/Pensioners. eg., Jeevan Akshay, New Jeevan Suraksha (pensioners policies)

### E- Marketing Strategies

- On line Advertising/Web Advt. - LIC & Pvt Cos place ads in its Websites relating to its products & services.
- On line News Letters - LIC & Pvt Cos issue news letters on regular basis to regular customers to alert them about new offers, launching of new products/services etc.
- Advertisement through E-mail
- Approach of Potential Customers through E-mail
- Social Media (Facebook, Twitter) - Information on Insurance linked customers are available through face book.

### Major Challenges

- **The introduction of Service Tax** at the rate of 10.2% on group insurance policies adversely affected the interest of customers.
- **The introduction of Fringe Benefits Tax** also adversely affected the market of Group Superannuation Scheme of LIC. It is taxable on the part of the employers who initiate Policies on behalf of their employees and hence the employers are not showing more interest in taking the Policies for their employees.
- **Underinsurance.** Still only less than 30% of the insurable population is covered under the Scheme of insurance while the remaining population is yet to be insured.
- **Un-insurance:** A sizable section of people are not at all insured with any policies.
- **Inadequate Insurance.** Further the Policy Holders are found to have inadequate insurance policies. Even though LIC adopts need based selling of insurance products, still there is inadequate insurance on the part of Policy holders.
- **low market penetration of life insurance and Low bonus rate**
- **Strict regulatory measures by IRDA** forced the withdrawal of certain plans by LIC also imposed new restriction on introduction of new Products
- **Attracting and customers by offering non existing /high returns by Private Players**
- **High competition between agents of various companies.**
- **Low insurance penetration in rural areas by private companies.**
- **High rate of employee turnover in the Private Sector Insurance Companies** due to the fact that the existing service conditions provided by the private companies are not suitable to attract and retain youngsters having good caliber.
- **Customers' expectation on ROI** is very high. However, in practice insurance companies provide comparatively less ROI.
- **Aggressive Marketing Strategies of Rivals.** The business strategies of new entrants in the field often hamper insurance company run on traditional line.

### E- Marketing Challenges

- Lack of access of all categories of Customers because of IT oriented involvement ..eg Traditional farmers
- Technology is unsuitable for Old age/ senior citizens
- Best media for attracting new generation. However, Efforts are not adequate for attracting them.
- Procedural Delay to detect the errors
- Delay in Correction of Errors
- Network delay and Failure
- Threat to Privacy.,Reliability of Credit Cards is not safe & secure,leakage of data to outsiders is possible.

### Conclusion and Suggestions

The Policy of Globalization has brought many changes in the area of life insurance. Customers received an opportunity to enjoy and experience many services of the various insurance companies and their timely provision, increase in the competitiveness of the insurance providers etc., are some few among them. However, they have to go still further to ensure their healthy stay in the field by introducing new and innovative products by considering the changing aspirations of the customers.

The following suggestions are offered to improve the market for life insurance products.

- The insurance Companies can adopt traditional approach for attracting aged People., For example ..Ads through News Papers, TVs, Movie, Radios, Wall Paintings etc are effective to capture more among aged people.





- Approach of youngsters at their working place according to their convenience is a best method for selling the insurance products among them.
- Special attention and timely efforts are to be made to prevent and correct the mechanical errors by the authorities concerned.
- Help of NGOs - The insurance Companies can seek the services of NGOs through Websites and can market more Social Security Schemes for the benefit of rural people.

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