

GROWTH SCENARIO AND MARKETING STRATEGIES OF LIFE INSURANCE INDUSTRY

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Abstract :

India ranked 9th among the 156 countries in Life insurance business. Life insurance market is expanding at a rapid speed and continue to grow in the coming decades since India has a very large untapped market and all the major drivers like women entry into organised and unorganised sector, enhanced income, rising middle class income, awareness of risk in the life, increased standard of living, development of micro families, disposableness of personal income etc., all are supporting the cause of making life insured. Besides the LIC some important private players are also picking up slowly and are giving tough fight to LIC. Looking at the trends in insurance industry one can predict that public and private sectors shall continue to exist and serve the masses more competitively than previous. Customer satisfaction is most important to stay in competition because satisfied customers enhance profitability.

Introduction:

Life insurance market has been growing at a rapid pace and will continue to grow since India possess a large sized untapped market and all other major influences like rising middle income class, risk awareness, more women employment, changed living styles and enhanced income and personal income disposableness. State owned LIC still dominates the insurance sector despite entry of world players. But the entry of world players making the insurance sector more competitive. Besides this there exist difficulty in collecting information about consumer spending

and their decision process. These developments coupled with increasing pressure have compelled corporate sector to design innovative styles in a fashionable manner to market their products and services.

Today's insurance industry is facing many spectacular changes in terms of advancement in technology strengthening existing customer base and acquiring new customers (Jyoti, 2007)¹. Today relationships with customers have undergone a paradigm shift and all the private players are competing with each other to provide quality service to customers as customer satisfaction,

customer loyalty and customer delight have become the success mantra of cut competitive scenario (Vannirajan, et al., 2008)².

There was pure monopoly of LIC till 1999, and then this sector was opened to private players. This made the industry to face cut throat competition presently only companies when gives prime importance to the delivery of quality products to the consumers can survive and sustain their growth. Further the increase in the number of insurance companies in the market and consumers becoming more enlightened about various substitutes presently available and their rights as a consumer insurers have realised the importance of customer relationship management (Chandhok, 2006)

Objectives of the study:

- (1) To evaluate the growth of the insurance industry.
- (2) To study the level of development of life insurance in terms of insurance penetration.
- (3) To study market share office in the life insurance business.
- (4) To study the new market strategies adopted by LIC of India to increase business volume.

Need for study:

The study has been conducted to review the insurance sector in the background of liberalisation and to know the growth of insurance sector. The insurance industry in India has witnessed different eras and is more than 150 years old. From the days when there were several private companies, to nationalisation, and to

privatisation, the industry has come with a full circle. The changes followed by LIC in India is helping both urban and rural customers. For insurance companies today, focusing on the customer is more important than ever. Getting closure to customers and effectively responding to their needs is going to boost their loyalty and exchange deeper business relationships and additional spending.

Scope of the study:

The paper includes the number of offices opened by LIC and insurance industry, its operational strategies area covered, and the new market strategies of corporation for increasing the volume of their business.

Data collection and statistical tool employed:

The data presented in this paper has been compiled from various secondary sources like research articles in journals, books, various international and local journals, annual reports and websites of LIC, IRDA.

Branch expansion and distribution of offices:

Table-1 and Table-2 reveals information about expansion in the number of offices and Table-2 speaks about distribution of offices of life insurance. The number of LIC offices has increased by 52% over 6 years i.e., from 2005-06 to 2010-11. It was 2220 in 2005-06 and number of offices rose to 3371 by 2010-11. The number of offices of industry has increased by 198% i.e., from 3865 offices to 11546 offices during the corresponding period. The percentage of

LIC offices to total industry office has declined from 57.43% in 2005-06 to 25.64% in 2008-09 and again an increase in 2009-10 and 2010-11, i.e., 27.04% and 29.20% respectively. The decrease in the offices was mainly due to closure / merger of some offices by private players. Still LIC continue to dominate the industry with a vast network of offices consisting 8 zonal offices, 111 divisional offices, 2098 branch offices and 1150 satellite offices. Table-2 reveals data about distribution of LIC offices. Majority of offices of LIC are located in urban and semi urban areas. 1513 offices of LIC or 44.88% are in either urban or semi urban. The total offices of industry on a comparison reveals that 6656 office or 57.65% offices are in urban or semi urban areas. Only 9.80% offices of the industry are in Metro and 10.77 or 363 offices of LIC are in Metro.

Insurance penetration:

The overall performance of insurance sector is measured with reference to the parameter such as insurance penetration which is a yardstick to measure the level of development. Insurance penetration is the ratio of premium underwritten in a given year to the gross domestic product of the nation. Table-2 reveals that in the beginning it was 2.32% (life 1.77% and nonlife 0.55%) in the year 2000 at the time of opening of this sector to private sector. It had increased to 5.20 in the year 2009 (life 4.6 and life 0.6%). But insurance penetration showed a declining trend in 2010 due to slower growth of life insurance premium as compared to the growth of India economy.

Premium Income of LIC:

Table-3 reveals the information about premium income of LIC of India. There was a sizable increase in the premium income during the year 2009-10 when compare to 2008-09. It was 18598591.22 lakh in 2009-10 and in the year it was 15718655.04. But the trend in 2010-11 reveals a marginal increase in the net premium income received by LIC. Thus it can be concluded that LIC has not been able to generate much income by issuing new policies and existing policies as well.

Rural Thrust:

All the efforts are being made to carry the gospel and propagation of life insurance in rural and remote areas consequently we find a steady growth of new business from those areas. Number of conventional policies growth reveals a steady increase over the years 2008-09 to 2010-11. It was 323.89 lakh policies in the year 2008-09 increased to 339.35 lakh in the year 2010-11. Further, first premium income in crores under conventional stood at 33113.30 crores in the year 2008-09 and 39850.30 crores in the year 2010-11. Further, the table reveals the data in decreasing number of policies between 2009-10 and 2010-11. It was 340.09 lakhs during 2009-10 and come down to 339.35 lakh policies and similar decrease is also noted in case of banking and alternative channel, chief life insurance advisor (Table-4).

Micro Insurance:

LIC is also aware of its social responsibility and in this direction it is making efforts for spreading security to the less privileged sections of the society. LIC introduced "Jeevan Madhur" plan in August, 2006 under a separate business vertical. Another product "Jeevan Mangal" a term

assurance product was launched on 03-09-2009. LIC not only concentrates on celebrity marketing and rich class segment but has also launched insurance plans under a separate business vertical to extent security to the less privileged sections of the society. The policies are sold through a distribution channel comprising of non government organisations, self help groups, micro finance institutions, non-profit organisations, corporate agents, brokers and business correspondents for banks and government agencies who have been appointed as micro insurance agents. The micro vertical channel has a total strength of 7906 micro insurance agents with 53847 specified persons trained by LIC on 31-03-2010. Micro insurance channel has provided valuable insurance cover to 7.4 million policy holders who belongs to vulnerable section of the society (Table-4)

Table-5 shows that within 3 years it has provided 4.3 million crores to approximately 2.5 million lives. LIC has declared 441 villages as ‘Madhur Bimagram’ in the forms of a community amenity financed by LIC.

Foreign Branches:

The corporation directing operates through its branch office in Mauritius at Port Louis, Fiji at Surva and Lautoka and UK at Werobley. During the year 2007-08 these three foreign branches together issued 10,477 policies with sum assured of US\$ 97.7 milion. During the year 2010-11 these three foreign branches together issued 13925 policies and first premium income of Rs. 30.96 crores.

Bancassurance:

It is French term referring of the selling of insurance through a banks established distribution channels. It simply means selling of insurance products by banks. In this arrangement, insurance companies and banks undergo a tie up, thereby allowing banks to sell the insurance products to its customers. Under this system banks has to sell the insurance products to its customers. The banks under this system will have a corporate agency with one insurance company to sell its products. By selling the insurance policies the bank earns a margin stream apart from interest.

Table - 1 Branch Expansion of Distribution of LIC offices

Year	Offices of LIC	Total offices of the Industry	Percentage of LIC offices to total offices of the industry
2005-06	2220	3865	57.43
2006-07	2301	5373	42.83
2007-08	2522	8913	28.29
2008-09	3030	11815	25.64
2009-10	3250	12018	27.04
2010-11	3371	11546	29.20

Offices opened after seeking approval of the Authority

Note: Offices as defined under section 64 VC of the Insurance Act, 1938.

Source: Annual Reports of IRDA (Various Issues)

Insurers	LIC	Percentage	Total Offices of the industry	Percentage
Metro	363	10.77	1132	9.80
Urban	560	16.61	1988	17.22
Semi-Urban	953	28.27	4668	40.43
Others	1495	44.35	3758	32.55
Total	3371	100	11546	100

Offices opened after seeking approval of the Authority

Note: 1. Figures in bracket indicate percentage of total offices of LIC. 2) Data collected from life insurers through a special return. 3) Based on the HRA classification of places done by Ministry of Finance

Metro: Delhi, Mumbai, Chennai, Kolkata, Hyderabad and Bangalore.

Urban: A, B-1 and B-2 class cities of the HRA classification. Semi-urban: C class cities of the HRA classification

Others: Places not listed in the HRA classification.

Source: Annual Report of IRDA

Table - 2 Insurance Penetration

Year	LIC %	Industry %
2001	2.15	2.71
2002	2.59	3.26
2003	2.26	2.88
2004	2.53	3.17
2005	2.53	3.14
2006	4.10	4.8

2007	4.0	4.7
2008	4.0	4.6
2009	4.6	5.2
2010	4.4	5.1

Source: Uma Narang

Table-3 : Net Premium Income of LIC (Rs. in Lakhs)

Year	Net Premium Income
2006-07	12782284.09
2007-08	14978998.65
2008-09	15718655.04
2009-10	18598591.22
2010-11	20335804.75

Source: Summary of Financial Statements LIC of India, Point 202.

Table 4- Statement of Individual New Business Procured Channel wise:

Sl. no	Business	2008-09	
		No. of policies in lac	First premium income in crore
1	Conventional Banking	323.89	33113.30
2	Alternative Channel	8.62	1076.00
3	Chief Life Insurance (CLIA)	10.99	1100.71
4	Micro Insurance	15.41	31.20
	Total	358.91 (35.89 million)	35321.21 (353.21 million)

Sl. no	Business	2009-10	
		No. of policies in lac	First premium income in crore
1	Conventional Banking	340.09	39227.40
2	Alternative Channel	7.54	1132.92
3	Chief Life Insurance (CLIA)	20.91	2563.88
4	Micro Insurance	19.85	36.15
	Total	388.39 (38.83 million)	42960.44 (429.64 million)

Table-5 Micro Insurance Business of LIC of India

Sr. No	Particulars	2006-07	2007-08	2008-09
1.	New lives	80637	854615	1541218
2.	Total lives	80637	935252	2476470
3.	Sum assured in force Rs. In crore	110.63	1116.42	2034.27
4.	FPI (Rs. in Lakh)	138	1622	3120

Source : 52nd Annual Report of LIC of India

Conclusion:

Life insurance market has been growing at a rapid pace and will likely to continue at a very fast pace over the next years. Since it possesses a large sized untapped market. The potential buyers of insurance is certainly attractive but much of this population might not be touched since it will take a long time. The findings of several studies reveals that the perception about customer orientation and responsiveness are not up to the mark. Therefore the insurance industry needs to focus on the service quality factors. Further, there is an absolute need to understand why and how the demographic variables subscribe to the change in perception of service quality factors and their significance.

Sl. no	Business	2010-11	
		No. of policies in lac	First premium income in crore
1	Conventional Banking	339.35	39850.30
2	Alternative Channel	6.95	1281.30
3	Chief Life Insurance (CLIA)	23.31	2789.00
4	Micro Insurance	29.51	48.67
	Total	399.12 (39.91 million)	43696.27 (4396.93 million)

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