MARKETING STRATEGIES OF LIFE INSURANCE INDUSTRY IN INDIA:
A CONTEMPORARY SCENARIO

Mushtaq Ahmad
Research Scholar
Department of Commerce
AMU, Aligarh-INDIA
Email Id: mushtaq.commerce@gmail.com
Cell: +91-9557635113

Abstract:
Life insurance system is as much a subject of evolutionary development and change as any other social system. There has been a vast scope of experimentation all over the world in the area of the insurance sector. The insurance is primarily a social device adopted by civilized society for mitigating the incidence of loss of income to families by unforeseen contingencies. Insurance and economic development in India exhibits a direct positive correlation on the growth path. Insurance companies, both life and non-life, have been playing the role of financial intermediaries and performing extremely useful functions in our economy. In India, insurance sector was opened for private participation with the enactment of the IDRA Act, 1999. Since then, 23 private companies have been established in life insurance sector. All these players are actively introducing innovative marketing strategies to meet the specific needs of the prospective customers. Exploring more distribution channels of insurance for untapped rural market, strong customer awareness programs and new promotional strategies are the immediate requirements for sustaining in today’s cut throat competition. Further more customer service is the key for the success of life insurance companies therefore more attention should be given in post-sales services rather than pre-sales services.

In this paper the researcher focus mainly on all the important aspects of life insurance marketing activity from a services perspective and highlights the contemporary marketing strategies adopted by the life insurance companies in India.

KEYWORDS: Marketing Strategies, Life Insurance, Distribution Channels, Economic Development
INTRODUCTION:

Insurance is a federal subject in India. The primary legislation that deals with insurance business in India is Insurance Act, 1938, and Insurance Regulatory & Development Authority Act, 1999. Insurance provides with a sum of money and thus permanently protects a family from financial crisis. It has been estimated that the potential of Indian insurance industry is huge considering the fact that insurance has not yet reached to large untapped population of the country. Only 20 per cent of the insurable population is covered under various life insurance schemes/segments. 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. 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. The entry of foreign 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. Insurance companies are in a unique position when it comes to marketing. They have no tangible products to sell, but instead rely on strong relationships with loyal customers and word of mouth to help them compete. Despite the challenges, the marketing strategies for insurance companies are really no different than for any other company, and require a strong focus on the basics of effective marketing. In addition to measuring the effectiveness of marketing efforts based on quantitative data, insurance marketers can seek input from their existing and new clients about their communication efforts. Table1 gives details about
total number of life insurance companies operating in India after execution of Economic Reforms in the country.

Table 1:

<table>
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<th>Years</th>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Total</th>
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<td>2013</td>
<td>1</td>
<td>23</td>
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Source: Annual reports of IRDA 2000-2001 to 2011-2013

Objectives of the study:

1. To know about the recent trends in the marketing strategies adopted by life insurance industries of India.
2. To know whether the new adopted marketing strategies have helped life insurance of India to increase their business volume.
Scope of the study:

The paper is directed towards life insurance industry, its operational strategies area covered, and the new market strategies adopted by the industries for increasing the volume of their business.

Marketing Strategies in Life Insurance Industry

Concept of Marketing

There are many definitions of marketing. Some of the better definitions are focused upon customer orientation and satisfaction of customer needs:

According to Philip Kotler - Marketing is the social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

According to P.F Drucker - Marketing is not only much broader than selling, it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of the final result, that is, from the customer's point of view. Concern and responsibility for marketing must therefore permeate all areas of the enterprise.

Modern Concept of Marketing

Old Concept

Product/Service → Sale → Profit Maximization through Sale

New Concept

Identify customer’s Need → Product/Service → Profit through Customer Satisfaction
**Figure 1.1- 4 P’s of Marketing Mix**

**4 P’s:**

- Product planning.
- Pricing policies.
- Physical distribution.
- Promotion policies.
Impact of marketing strategies:

India is a huge market for the life insurance because it is nation of a billion people. But merely 200 million people are insured out of 120 billion populations. And, significantly, even those who do have insurance are grossly underinsured. The emerging middle class population, growing affluence and the absence of a social security system combine to make India one of the world’s most attractive life insurance markets. No matter how you look at it whether in terms of life insurance premiums as a percentage of GDP or premium per capita, the market is under penetrated and people are under-insured. In a country where there is high unemployment and where social security systems are absent, life insurance offers the basic cover against life’s uncertainties. India has traditionally been a savings-oriented country and insurance plays a critical role in the development of the Indian economy. The role of insurance in the economy is vital as it able to mobilize premium payments into long-term investible funds. As such, it is a key sector for development. So, marketing strategies are important and inevitable phenomenon to tap huge untapped market. Effective selling of insurance policies depends to a large extent on the marketing strategies selected. As the market for insurance is dynamic and accompanied by rapid changes in the environment due to advancements in technology and uncertain economic conditions, coupled with inflation, increased attention must be given in the future to the selection of marketing strategies.

Components of marketing strategies:

- Pricing
- Personal selling
- Advertising
- Word of mouth selling
- Institutional image
- Quality control
- Marketing orientation
New approaches to marketing strategies of life insurance services:

Latest tools and techniques are used by marketers of life insurance products to boost the sales to ensure customer satisfaction and brand building. Some are the approaches to survive in this scenario are as under:

**Innovation:**

Innovation in the delivery system refers to the internal organizational arrangements that have to be managed to allow service workers to perform their job properly, and to develop and offer innovative services. All the insurance companies have a structured internal organization team with customer service teams for the delivery of the service. Extensive training is given to the service contact personnel who are called the financial consultants or Agent advisers. The need and importance of the customers involvement in the service innovation process is considered to be of prime importance by all the life insurance companies as the current market for life insurance is customer centric.

**Product/Service Differentiation:**

In case of product differentiation, new products, customized products, tailored products, bundled-products can be introduced and new target segments can be identified. For example, life, health and personal accident insurance can be bundled together. The service in the field of life insurance has improved greatly with the entry of multinationals and rising competition. The customer should have the option to continue or to switch over or to come out of the given policy.

**Advertising and sales promotion:**

Advertising and publicizing have a positive effect on the prospective customers as well as personal selling. Both the direct and indirect strategies have to be balanced and mixed well to get the desired result. Discounts and incentives promised along with the policy have to be presented in detail to the customers. The companies must provide a tangible and rational reason to the customers to buy a particular policy. Various creative and innovative strategies should be developed to promote various different life insurance policies. Finding an ideal mix of customers
with high disposable income and targeting them with specific policies is another good promotional strategy. Life insurance may be one of the most difficult products to sell, but with an effective promotional strategy it can be sold easily.

**Technology:**

Information Technology progress is a major driver behind the structural change in the Life insurance industry to enhance risk transfer efficiency. E-business opens up new ways to reduce costs while lowering market entry barriers and facilitating the break-up of the traditional insurance value chain. Insurance clients will benefit from greater transparency, lower prices and improved services – not just in the sales area, but also in claims management.

**Customer relationship management:**

Insurance companies experiencing competition from within and abroad. Making this problem-situation into an opportunity lies always on the prudent management adopting or adapting tactics and strategies. An action on tangible services – prompt and accurate issue of document, prompt and fair settlement of claim, good listening mechanism, better problem solving approach, reliable manner of service and meet requirement of customers on time every time - in lieu of intangible promises would give utmost satisfaction to customers, the customer relationship management provides better service to the insured protecting him against perils or risks and the insurer enabling to retain the existing customers and bringing in new customers in his ambit of business.

**Distribution channels:**

The distribution network is most important in insurance industry. Insurance is not a high cost industry like telecom sector. Therefore it is building its market on goodwill and access on distribution network. We cannot deny that insurance are not bought, it is sold. The market has a great scope to grow. This can be better done by more innovative channels like a super market, a bank, a post office, an ATM, departmental store etc. these could be used to increase channels of insurance. But such growth in channels shall increase with time. In the field of distribution channels, many innovative techniques can be adopted. For example, Bancassurance and selling
through postal network will make a great deal of difference. In Europe 25 percent of insurance policies are sold through banks. Bancassurance, as a package of financial services that can fulfil both banking and insurance needs, if implemented correctly can bring vast benefits to stakeholders such as banks, insurance companies, shareholders and consumers. At present the distribution channels that are available in the market are listed below:

- Direct selling
- Corporate agents
- Group selling
- Brokers and cooperative societies
- Bancassurance
- Mallassurance

**CHANGING TRENDS IN LIFE INSURANCE POLICY:**

Along with the other objectives of insurance like financial security, tax benefits etc. one of the major objectives is saving and investment. Traditional life insurance policies like endowment were becoming unattractive and not meeting the aspirations of the policyholders as the policyholder found that the sum assured guaranteed on maturity had really depreciated in real value because of the depreciation in the value of money. The investor was no longer content with the so called security of capital provided under a policy of life insurance and started showing a preference for higher rate of return on his investments as also for capital appreciation. It was, therefore found necessary for the insurance companies to think of a method whereby the expectation of the policyholders could be satisfied. The objective of providing a hedge against the inflation through a contract of insurance pushed insurer to link the insurance policy with market and thus the industry observed the beginning of Unit linked insurance policy (ULIP). Where almost all the industries in the world trying hard for survival due to the major economic meltdown, Indian life insurance industry is one of the sectors that is still observing good growth. It is the changing trends of Indian insurance industry only that has made it to cope with the changing economic environment. Indian insurance industry has modified itself with the passage of time.
by introducing customized products based on customers’ need, through innovative
distribution channels, Indian life insurance industry searched its path to grow.
Changing government policy and guideline of the regulatory authority, IRDA have
also played a very vital role in the growth of the sector. Move from non-linked to
unit liked insurance policies is one of the major positive changes in Indian life
insurance sector. Similarly, opening on the sector for private insurer broke the
monopoly of LIC and bring in a tough competition among the players. This
completion resulted into innovations in products, pricing, distribution channels, and
marketing in the industry. Though the sector is growing fast, the industry has not yet
insured even 50% of insurable population of India. Thus the sector has a great
potential to grow. To achieve this objective, this sector requires more improvement
in the insurance density and insurance penetration. Development of products
including special group policies to cater to different categories should be a priority,
especially in rural areas.

**Conclusion**

Life insurance industry requires new strategies in order to survive and
survive successfully. To tap the insurance potential to maximum industry needs to
frame such plans and strategies that will help to capture the market. Companies
instead of focusing only on improving the variety of products needs to focus on
targeting new segments and implement innovative strategies in order to achieve
sustained growth and ensure profitability of business as well as growth of insurance
coverage. The life insurers should conduct more extensive market research before
introducing insurance products targeted at specific segments of the population so that
insurance can become more meaningful and affordable. By adopting appropriate
strategy along with proper government support and able guidance of IRDA, India
will certainly become the new insurance giant in near future. 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 fulfil their desires. Life insurance industries of India has
well managed to take the spirit of competition in a positive way which has helped the
industries to grow further with high strength of mind in contribution to the growth of
the country.
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