

## **CHANGES IN THE MARKETING OF LIC BY IMPACT OF PRIVATE INSURANCE PLAYERS**

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### **ABSTRACT**

Government made a paradigm shift in the economic policy by adopting the process of liberalization, privatization and globalization at the end of previous decade. IRDA was set up as regulatory body and private sector was allowed entry both in general and life insurance sector in India. Due to impact of private players came up with new and innovative marketing strategies. Due to these efforts of private players the benefits which LIC was enjoying out of its monopoly in the market were taken away and it had to face tough competition. To fight this competition, LIC had to leave its traditional track and bring changes in its working. The present article throws light on the changes which LIC brought in its marketing due to the impact of private insurance players. Descriptive research was done by collecting secondary data from text books, national as well as international articles, dailies and annual reports of LIC. The changes brought by LIC in the product, marketing activities such as distribution channels, foreign branches, advertisement have been discussed

**KEYWORDS:** Privatization, LIC, Private Players, Marketing, Product, Distribution Channel

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### **1.1 INTRODUCTION**

When life insurance companies started operating in the middle of 20th century in the country, the evil play natural to all business had its sway. There was a lot of cut throat competition as well as profiteering. As a result Life Insurance Corporation of India (LIC) came into existence on 1st September, 1956 after nationalization of all the 245 companies engaged in life insurance business. However, Government made a paradigm shift in the economic policy by adopting the process of liberalization, privatization and globalization at the end of previous decade. Consequently, Insurance Regulatory and Development Authority (IRDA) have been established under IRDA Act, 1999 to regulate the insurance business in the country. As a result, private sector has been allowed entry both in general and life insurance sector in India. Life insurance industry expanded tremendously from 2000 onwards in terms of number of offices, number of agents, new business policies, premium income etc. Further, many new products (like ULIPs, pension plans etc.) and riders were provided by the life insurers to suit the requirements of various customers. As a result of this, the benefits which LIC was enjoying out of its monopoly in the market were taken away and it had to face tough competition from the private companies. Due to this LIC had to bring changes in its working.

### **2.1 RESEARCH METHODOLOGY**

The research design which has been formed for this research article is descriptive research design. The nature of data which is collected and used for this research article is secondary. The relevant and required data are collected from secondary sources such as text books, national as well as international articles, dailies and annual reports of LIC.

## **2.2 OBJECTIVES**

- i. To know the marketing of LIC before privatization
- ii. To know the impact of private players on marketing of LIC
- iii. To know the changes in the marketing of LIC

## **3.1 CHANGES IN MARKETING OF LIC AFTER PRIVATIZATION**

Marketing plays a vital role within the insurance industry. It is used to increase sales and sustain marketplace positions for major companies and by smaller companies to build and grow their businesses. The use of marketing can be as far-reaching as a national television campaign to grow and sustain a major insurance company, and as localized as a business cards and fliers used by a local insurance agent. Regardless of size, marketing tactics and strategies are developed by all in the industry to target consumers and prospects to cover their insurance needs for home, health, life and commercial coverage.

Until the Indian insurance industry was liberalized, LIC did not have any clear marketing strategies. Since it enjoyed monopoly status, it could afford to have a very limited focus on marketing. For the average Indian, LIC became synonymous with life insurance, and over the years it built up an enviable brand image in both rural and urban areas. The company grew by leaps and bounds, with people buying its policies due to the tax concessions attached to it. On account of its position as a monopoly, LIC did not standardize its practices, nor did it focus on providing better customer service to the policyholders. After privatization the LIC of India has been facing competition pressure, so it has been reorganizing itself in order to perform better and to compete with private players. LIC has been formulating new strategies and plans from time to time. In wake of coping with the competition LIC has been taking following steps to increase its market competitiveness and retain its dominant position in the insurance market.

## **3.2 PRODUCT DEVELOPMENT:**

Product development is the most basic and essential part of marketing of a company. Prior to privatization almost 100% of the products sold to Indian customers were traditional ones with a quasi absence of individual pure protection products. More than 90% of the individual products sold were traditional savings cum protection products (endowment or money back). The product range was small and not innovative enough. Most customers were underinsured with no flexibility or transparency in the products. LIC sold insurance as a tax planning instrument, not as a product giving protection. Group insurance business was only through formal Group Employer-Employee (Traditional products such as Term Assurance, Gratuity, Leave Encashment and Super Annuation). LIC also tried to include features like accidental death, disability benefit and premium waiver clauses in many of its policies. However, all these benefits were not available in all type of policies. Further, addition of such benefits added complexities to the product. Moreover, many policies like unit linked policies and term insurance policies were not provided by LIC. After the entrance of private players many new and innovative products were introduced by the private players due to which the traditional products of LIC had to face tough competition. The customer had more to choose in terms of policy instruments as new players came up with innovative product line. Naturally, the policies issued by LIC needed to be seen in this light and suitable steps had to be taken to customize the products. After entry of private players in life insurance industry, there has been a big change in the kind of products provided by insurers. Many products like unit linked plans, single premium plans and pension plans have become quite popular these days. Further, insurers have tried to keep the basic products of life insurance quite simple by

providing multiple riders separately which a customer can choose as per his requirements on payment of extra premium, thus making possible for the customer to match the products with his requirements.

Soon after privatization there were more than five private life insurers who launched more than 40 new products. It is worth noting that LIC also launched 42 new products. Thus, after the entry of private insurers flow of new products was very high. It is also worth noting that new products launched by private players carried innovative features for the benefit of the customers. For e.g. BSLI introduced the concept of free look period, benefit illustrations, first online term plan to an innovative category of products like ULIP's and highest daily NAV guarantee plans. In terms of product completeness BSLI broad based the portfolio by introducing several traditional products across various customer segments. Bajaj Allianz also introduced wide range of customized products as per the requirements of the customers. To cater consumer's needs about protection against risk factor, provision for future, old age provision, by launching whole life plans, Endowment plans, Term insurance plans and pensions plans over a period. Every year by taking market review it introduces new innovative plans and also withdraws those plans which have less market response. In order to cope up with these efforts of the private companies, LIC of India has also changed its product features to meet the varied need of the customers. It has also introduced ULIP's in market.

### **3.2.1HEALTH INSURANCE PLANS**

Prior to privatization LIC did not concentrate on health insurance segment and not much products were available for health insurance. In the public sector, the General Insurance Corporation (GIC) and its four subsidiary companies (National Insurance Corporation, New India Assurance Company, Oriental Insurance Company and United Insurance Company) and the Life Insurance Corporation (LIC) of India provided voluntary insurance schemes. The Life Insurance Corporation offered *Ashadeep Plan II* and *Jeevan Asha Plan II*.

The year 1999 marked the beginning of a new era for health insurance in the Indian context. With the passing of the Insurance Regulatory Development Authority Bill (IRDA) the insurance sector was opened to private and foreign participation, thereby paving the way for the entry of private health insurance companies. Private sector insurers are more aggressive in this segment. Favorable demographics, fast progression of medical technology as well as the increasing demand for better healthcare has facilitated growth in the health insurance sector. Life insurance companies are expected to target primarily the young population so that they can amortize the risk over the policy term. After the entrance of many private players such as ICICI, Max Bupa, Star Health in health segment the scope of this segment enlarged and many new plans were launched. SBI launched health insurance plan 'Hospital Cash', Max Bupa is planning to introduce disease specific insurance products. First Life insurance launched 'Money Back Health Plan'. LIC has observed that there is a top potential for the health insurances business. So it had started one Health Insurance Department and as of now LIC has health protection plus and Jeevan Arogya Plan for catering the health needs of customers.

### **3.2.2MICRO INSURANCE PLAN**

Prior to privatization LIC had a presence in rural areas but no customized plans were available to cater to the rural needs and also there were no microinsurance plans. After privatization the LIC of India not only concentrated on celebrity marketing and rich class segment but also launched insurance plan under a separate business vertical of rural marketing to extend security to the less privileged section of the society. Under such business

vertical 'Jeevan Madhur' plan was launched in Sept. 2006 by the LIC. LIC was the first player to offer specialized products with lower premium costs for the rural population. Other private players also started to focus on the rural market to strengthen their reach. ICICI Life Insurance Company launched its small ticket micro insurance policy, SURAKSHA. Tata AIG Life has launched 3 micro insurance plans, namely, Navakalyana Yojana – a five year micro insurance protection plan, Sampoorna Bima Yojana under which 15 year protection is available by paying 10 year premium and Ayushman Yojana – a single premium 10 years micro insurance protection plan. Birla Sun Life Insurance has launched Bima Suraksha Super and Bima Dhan Sanchay for rural masses. Bima Suraksha Super is a non participating non linked term assurance plan while Bima Dhan Sanchay is a non participating non linked term assurance plan with refund of insurance premium on maturity. Majority of the life insurance companies have come out with micro insurance products but all are similar. The private companies started to claim a share in the rural market segment LIC went a step ahead and came up with new marketing strategy. In this context LIC of India started declaring villages as MADHUR villages after the name of its micro insurance product, Jeevan Madhur.

### **3.3 MARKETING ACTIVITIES:**

Prior to privatization there was lack of expertise in the investment marketing, distribution department, and distribution was only through tied agents. In marketing of insurance products effectively, field personnel play pivotal role. The corporation has been developed alternative distribution channels along with channels to increase its business volume.

#### **3.3.1 DISTRIBUTION CHANNEL**

Traditionally agents have been the primary channel in the distribution of insurance in the Indian market. The Agency channel was the only channel catering to the needs of the market. It was generally felt that there was demand side as well as supply side gaps in the Agency channel. The Life Insurance Intermediary did not enjoy a professional image and was found inadequate and not keeping with the expectations. Finally, after privatization IRDA came out with new Regulations. The Regulations introduced Composite Agency enabling the Agents to do both Life and Non-Life Business. Corporate Agency and Broker channels were opened up. The private companies visioned this as an opportunity to get a wide reach into the market and hence started to make attempts for getting the maximum benefit from the available alternate channels. To quote a few examples BSLI tied up with IDBI Bank Ltd. for distribution of its policies. Banks are the primary sales channel for a few insurers such as HDFC Standard Life and SBI Life, and they contribute about 40% of their new business. Through the Bancassurance partnerships, insurance companies are catering to the defined segments and are designing strategies to sell insurance to them. For example, ICICI Prudential has tied up with Lord Krishna Bank, ICICI Bank, Bank of India, Citibank, Allahabad Bank, Federal Bank, South Indian Bank, and Punjab and Maharashtra Co-operative Bank to cater to a mix of high-income urban and rural segments. The alternative distribution channels, viz., brokers, direct field force, telesales, bancassurance, alliances, and the internet with the conventional network of branches offer the customers a variety to choose from keeping in mind the maximum benefits they seek from them.

Due to this wave of change, LIC, which was distributing its products only through agents also started to look for alternative channels. LIC also tied up with the banks in urban and with Regional Rural Banks (RRB) to spread its business. LIC tied up with Corporation Bank, Central Bank of India, IOB, UCO Bank, Bank of Punjab, Oriental Bank of Commerce

and fourteen cooperative Banks. LIC has attempted to enlarge the distribution channels to build a real marketing environment by involving cooperatives and panchayats in its market areas.

### **3.3.2FOREIGN BRANCHES**

Before privatization, LIC did not have any foreign branch. After privatization, as a part of change in marketing policy LIC thought of expanding outside boundaries of the country and to fulfill this thought, LIC opened its first international branch in Nepal in 2001. The Corporation directly operates through its branch offices in Mauritius (Port Louis), Fiji (Suva & Lautoka) and United Kingdom (Wembley). Currently, no private company has overseas branches.

### **3.3.3ADVERTISEMENT**

Marketing and sales promotion activities were very limited in LIC with small number of advertisements in print media and television. LIC was the only player, most advertising tended to be either merely informative or plain dull. With the insurance bill being passed in 2000, the Indian insurance sector saw a host of private players enter the market with multinationals as their partners. These new players resorted to aggressive marketing and advertisement strategies – something the market had never seen earlier. This sudden spurt of advertisements and awareness programs was visible on all the media channels. Print, electronic and outdoor advertisements of the new private insurers flooded could be seen everywhere. In response to this LIC launched various advertising campaigns to meet its corporate objectives. The new insurance companies used all channels of advertising from newspapers and the television to insurance agents and direct mailers. A fierce battle seemed to have begun among Indian insurance companies to make one's own brand win over the other. The new companies focused their campaigns primarily on building an image of trustworthiness and reliability for themselves. Secondly, their advertisements focused on insurance as an investment option and not a mere tax saving tool – another first for the Indian market. Most of these advertisements carried messages like the family's happiness, human bonding, etc., with underlying emphasis on the security that insurance could provide. Also, instead of projecting the idea, that an insurance policy actually starts working only after the death of the insured, the new campaigns projected that insurance protects people throughout their lives. In one of its TV commercials, ICICI Prudential showed a series of scenes depicting the childhood, marriage and old age of an individual. The purpose of using these visuals was to translate the company's message 'I will protect' into real-life incidents. In order to project its commitment towards consumers to 'protect at every stage of life,' the company brought in the concept of sindoor, which symbolizes protection. Sindoor was shown throughout the commercial as a mark of auspiciousness and protection, and at the end, it became the red line below the ICICI Prudential logo. Max New York also resorted to depicting positive emotions such as trust and protection in its print advertisements. The company released two print advertisements. HDFC came up with advertisement which projected insurance a wealth creation tool.

With private players paying much attention to advertising and promotional activities, LIC, too, was forced to make efforts to increase its visibility and enhance its brand image. The company commenced intense, systematic and well-focused public relations and publicity activities both at the corporate and operational levels. LIC came out with a corporate advertisement on TV with the punch line, 'Zindagi Tumhari Roshan Rahe' (May your life be glorious). In addition, LIC established abroad-based frame for external communication aimed

at building a stronger brand image. Several sports events were co-sponsored by the company and special publicity activities with a social purpose were undertaken. Traditionally, LIC used to target either middle-aged people or elderly ones. But private insurers targeted individuals in all age groups, in their advertisement campaigns. Analysts pointed out that LIC was also biased against women; most of its policies were designed with men in mind, whereas private insurers' products covered women's needs, too. Thus, LIC was forced to modify its advertisement campaigns and communication in order to appeal to all groups. It made its advertisements carry universally applicable messages, focusing particularly on the young executive or the working woman, in order to tap the market comprised of people in the age group of 18-35 years.

As a provider over the years the various advertising and publicity campaigns of the LIC were conceived to meet the following objectives

- ▲ Creating awareness in the mind of the public about the need for life insurance
- ▲ Promoting and positioning various life insurance products
- ▲ Corporate branding and societal marketing
- ▲ Highlighting the various customer centric activities including consumer education

#### **4.1 CONCLUSION**

It can be said that LIC did a commendable job by bringing about changes in its marketing strategy. LIC tried its level best to cope with the marketing initiatives of the private insurance companies. The market share which the private companies were taking away from LIC was an eye opener for LIC who was once enjoying monopoly position in the market. The private companies were taking away the market share by bringing new and innovative products to suit the needs of customers, building a strong distribution network, strong advertisement and finding new markets for their products. LIC which was moving on traditional pattern revitalized itself to regain its market share and image and came up with new marketing and sales promotion techniques. These changes proved to be fruitful for LIC.

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