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NEW DIMENSION OF SERVICES MARKETING IN LIFE INSURANCE CORPORATION OF INDIA: ISSUE AND CHALLENGES

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ABSTRACT The Purpose of my Research Paper is to focus on potentiality and strength of India's Service Sector in shaping Business through Life Insurance. The distinct characteristics of services in life insurance are intangibility, perishability, inseparability, variability, ownership, simultaneity; quality measurement etc. This study is to discover the remarkable changes Life Insurance in Service Sector and its overall impact in structuring Business through Life Insurance in India. As Service plays vital and crucial role in the pace growth of Indian Economy, this research paper also gives some new dimension in Life Insurance Corporation of India. The role of services marketing become a vital role in our Modern Economy, reasons for the growth of Services Industry in India with addition of analyzing the transformation in this Sector. With its emerging nature it has become the fastest-growing sectors on the global landscape and hence it has made substantial contribution towards global output as well as employment generation.

KEYWORDS : Service Marketing, New dimension, Life Insurance, Economy.

INTRODUCTION

Insurance marketing is basically just the marketing of insurance products. Insurance marketing emphasizes the importance of the customer preferences and priorities. Major objectives of life insurance marketing are increasing customer awareness, successful distribution of insurance products, developing corporate image, improving customer service, improving customer base and its spread, and etc.'

Factors impeding the application of insurance marketing are insufficient experience of insurers while expanding insurance business, non-existence of long-term development strategies of insurance companies and the fact that insurers orient mostly to short term needs; and while trying to apply more actively insurance marketing means it is necessary to change the whole organizational management structure of an insurance company, the channels of insurance products sales, technologies of communication with clients, and etc. Insurer has to analyse the nature of the customer's needs and plan their products and services in such a way that they can give satisfaction to the customers and face the competitors. Planning needs analysis of the insurance market to take a decision, prediction, and forecasting as to future needs of customers. All these programs involve a number of functions (7Ps), which are to be planned carefully. The combination of these functions is known as insurance service marketing mix.

Marketing mix is the planned package of elements, which will support the organization in reaching its target markets and specific objectives. The marketing mix has its origin in marketing of goods for consumer markets and consists of the well–known 4Ps: Price, Promotion, Place, and Product. Numerous modifications to the 4Ps have been proposed, the most concerted criticism came from the services marketing area.

REVIEW OF LITERATURE

Marketing, as the term is commonly understood today, was developed initially in connection with the selling of consumer–packaged goods and later with the selling of industrial goods.

According to Alexander, 1960 The characteristics of services are the justification for the claim that services marketing is different to marketing physical products.

According to Fisk, Grove and John, 2004 Many of the developments in services marketing are fairly recent. The factors affecting the developments within services marketing are organization size and structure, regulatory bodies, growth in service industries, characteristics of services, customer/employee interaction, and specific service sectors. Services marketing are the process of researching and promoting to a market with non–physical goods known as services.

According to Borden 1965 & Bennett, 1997 was the first one to conceive the ideas of marketing mix, but did not formally define the marketing mix. He explained it as important elements or ingredients that makeup a marketing program. Borden's original marketing mix had a set of 12 elements: product planning, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, and fact finding and analysis. Lazer and Kelly (1962) and Lazer, Culley and Staudt (1973) suggested three elements of marketing mix: the goods and services mix, the distribution mix, and the communication mix.

According to McCarthy (1978) regrouped Borden's 12 elements into four elements and was the first who offered the marketing mix, which is also known as the four Ps. He defined the marketing mix as a combination of all of the factors at marketing manager's command to satisfy the target market. This marketing mix approach has been criticized for being incomplete, because it does not bear in mind services marketing.

According to Booms and Bitner (1981) create 7Ps by adding Participants, Physical Evidence, and Process to the original 4Ps. Their creation aims to include service in the marketing mix, and therefore the additional Ps are called Service Ps . The marketing mix with the 7 Ps is highly appropriate towards businesses that offer services.

According to Zeithaml and Bitner, 2003 The 7Ps of marketing mix have been studied by some researchers in marketing fields (Low and Tan, 1995; Pheng and Ming, 1997; Melewar and Saunders, 2000). Still, the expanded marketing mix suggested by Booms and Bitner (1981) has been considered to be a valuable tool for marketing service. These 7 Ps are the suitable marketing mix elements for life insurance services.

OBJECTIVES OF THE STUDY

1. To study the Role of Intermediaries in bridging the gap in Life Insurance in India.

2. To study the Marketing of services in life Insurance Business in India.

RESEARCH METHODOLOGY

The paper is absolutely a theoretical one who's fundamental comes from various secondary sources like research articles in Journal, published and unpublished scholarly papers, and books, various international and local journals, speeches, newspapers and websites with publish about Life Insurance Corporation of India. The analysis part of the paper is based on the statistical data provided by IRDA. For the analysis of data, statistical tools like percentages, ratios, growth rates and coefficient of variation have been used.

ROLE OF INTERMEDIARIES IN BRIDGING THE GAP

The key to enhancing insurance penetration is distribution. Distributors play a key role in educating and advising clients on the need and suitability of investment products. According to a report by IIB, insurer offices and number of policies have a very high correlation of about 0.97. Further, agency licenses and new business premium also have a high correlation of 0.96.

The report projects that with a potential increment in agency licences of 81,683 in Uttar Pradesh, the new business premium in the state alone could rise by more than Rs 1,100 crore. As shown in the table below, new business premium could potentially rise by more than Rs 3,000 crore provided there is an increase in the number of agency licences.

Projection of state-wise potential for number of agency licences

State/Union Territory	Projected number of agency licences	Actual number of agencies licences	Incremental potential (Number of agencies licences)	New business premium of the State (2011-2012) in Rs. Crore	Potential for additional new business premium for the state due to increase in agencies licences, in Rs. Crore
Uttar Pradesh	484582	402899	81683	5791	1174
Bihar	210758	163374	47384	2226	646
West Bengal	294355	267137	27218	5890	600
Chhattisgarh	73776	47442	26334	601	333
Madhya Pradesh	175668	158888	16780	2558	270
Jammu and Kashmir	34190	23486	10704	450	205
Meghalaya	8439	4768	3671	63	49
Arunachal Pradesh	4136	2986	1150	57	22
Mizoram	2912	1981	931	27	13

Source: Insurance Information Bureau

Individual agents and corporate agents are the main players in insurance distribution, though the direct channel is also steadily gaining momentum.

Channels of Insurance Distribution

1. Individual agents
2. Corporate Agent
3. Brokers
4. Direct Selling

To expand financial inclusion and tap new markets, the channels of insurance distribution are evolving steadily. Online aggregators are becoming increasingly popular among the financially aware.

Total new business premium income in life insurance (inclusive of LIC)

	2008 – 09	2009 – 10	2010 – 11	2011 – 12	2012 – 13	2013 – 14
Individual agents	65 %	61 %	54 %	47 %	46 %	41 %
Banks	8 %	8 %	10 %	11 %	11 %	9 %
Corporate agents – others	4 %	4 %	3 %	2 %	2 %	1 %
Brokers	1 %	1 %	1 %	1 %	1 %	1 %
Direct selling	21 %	26 %	32 %	39 %	40 %	48 %

Above table indicates, individual agents' market share has declined in the past five years, while there has been a simultaneous surge in the popularity of the direct channel. However, a closer look at life insurance sold at the individual level suggests the segment continues to be dominated by individual agents, followed by banks. That's because at an individual level, the average investor requires a considerable amount of handholding through the investment process. An agent is able to form a bond with the client and suggest products specific to his or her needs. It is also due to Life Insurance Corporation (LIC) and its vast network of agents.

CHALLENGES IN DISTRIBUTION

Issues in Selling Practices

Currently, insurance products are often marketed as investment avenues rather than as contingency cushions. This is creating a distorted image of insurance among investors. Mis-selling has existed in the insurance sector for a long time, and though the number of complaints has risen by the year, resolution rates have also raised significantly. The complaint resolution rate in life insurance increased from 86.41% in 2009-10 to 99.69% in 2013-14 and in the non-life segment from 79.63% in 2009-10 to 98.71% in 2013-14.

Investors are often sold more than four-fie policies without being aware of their purpose. In a bid to correct wrong practices, the recent insurance amendment has included high penalties for misselling, misrepresentation and other such violations. It disallows mis-selling through multi-level marketing of insurance products.

Lack of financial literacy and awareness

Financial literacy in India is very low, which restricts investors to traditional assets such as gold and real estate. Awareness of more evolved financial products is conspicuous by its absence. The rural populace is not even familiar with modern technology such as ATMs and debit cards. Educating them on the same is an expensive proposition for banks. Insurance distributors can help here.

High administrative costs

Insurers have had to revamp their portfolios due to changes in product guidelines and regulations. Consequently, administration costs, including product pricing, approvals and revision of compliance systems, have shot up, as has re-training of sales staff. As per the Towers Watson-CII Survey 2015, the average expense ratio of Indian life insurers was 19% in 2013-14, between 4% and 12% in developed markets and between 25% and 50% in emerging markets.

As mentioned, rural areas and small towns have limited access to financial services and telecommunication. Here, a branch-led model works best, but high set-up costs and staff training expenses make it unviable for most players. Again, distribution would seem to be the

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solution.

Making Flexible Insurance Products

Low savings rate amongst the lower strata solicit tailor-made products with flexible premium terms. This would be a challenge especially for private insurers already facing thin profit margins. Given the potentially higher mortality risk posed by this section of the society, providing a cost-effective insurance product is far from easy.

The government's initiatives at providing universal insurance coverage have raised questions on how the risk will be covered at a token amount of premium. Further, since insurers would have to face sizeable risk despite the subsidy component, premiums could potentially fluctuate in the future if policy lapsation increases with a simultaneous decline in enrolment.

Threat of Rising Fraudulent Claims

Given the massive scale at which initiatives have been executed, fraudulent claims could rise. To prevent this, the government has made bank accounts and identification proof compulsory for opening insurance policies. Know your customer (KYC) norms need to be watertight to avoid duplicate accounts.

OPPORTUNITY IN DISTRIBUTION

Cross-selling and up-selling insurance products

Insurers could cross-sell or market complementary insurance products to their existing clientele, especially those from the middle class. By doing so, the insurer could offset any loss arising from government schemes.

Increase the age limit on insurance products

The age limit on insurance products could be raised with a simultaneous increase in premiums. Further, some discretionary criteria could be added such as health and monetary status in order to discern the mortality risk of the individual. This way, insurers could increase revenues while taking on a nominal mortality risk. This would also help reduce the burden on the younger generation, which faces burgeoning expenses of its own.

Development of technology and infrastructure

Government intervention in the form of infrastructure development, especially in remote areas, is imperative for financial inclusion. Without sustainable infrastructure, financial accessibility would be a challenge. Further, technological innovation in the form of standardized platforms and software across branches and electronic devices could potentially increase financial literacy and distribution. Making these programmes available in vernacular languages could also give it the common touch required by individual clients. The current government has undertaken several financial inclusion initiatives through use of technology.

NEW DIMENSION IN POSTAL INSURANCE

Postal Life Insurance: Under-tapped potential

With more than 1.5 lakh post offices, of which almost 90% are in rural areas, India's postal network is the largest in the world. It offers a bouquet of services - from logistics to insurance and savings. It offers two kinds of insurance - Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI). While PLI is open only to public sector employees, RPLI is for all (especially the rural population).

Over 2013-14, PLI and RPLI had a combined business premium income of Rs 7,312 crore and 2 crore-plus policies. Over 2014-15, the number of policies increased to almost 3 crore. The combined number of policies has grown at an annualized rate of about 17% in the past seven years.

However, number of policies to population ratio of less than 2.5% indicates there is tremendous potential in this distribution channel. The government could focus on developing the channel further as a part of its financial inclusion agenda.

Combined statistics of PLI and RPLI

Year	No. of Policies in force	Sum assured (Rs. Cr)	Corpus (Rs. Cr)
2007-2008	97,18,012	73,305.09	15,085.49
2008-2009	1,11,97,985	91,475.10	18,146.95
2009-2010	1,42,08,405	1,10,782.50	22,180.71
2010-2011	1,68,89,590	1,30,209.23	26,409.70
2011-2012	1,85,53,415	1,46,345.50	32,151.98
2012-2013	1,98,83,976	1,64,051.02	37,519.54
2013-2014	2,04,20,407	1,81,742.51	46,068.27
2014-2015	2,99,75,468	2,35,949.79	52,540.44

Source: www.postallifeinsurance.gov.in

MAJOR INITIATIVES AND REGULATIONS IN THE INSURANCE INDUSTRY

IRDAI (Micro insurance) Regulations (2005)

- A first-time move in India to formally draft and implement regulations regarding the creation and distribution of micro-insurance products.

- In addition to the obligations for rural and social sector businesses to be done by all insurers on an annual basis.

Regulation on pension products (2010)

- In September 2010, IRDAI mandated a minimum annual guarantee of 4.5% on pension products.

- IRDAI later amended the guidelines on unit-linked pension plans whereby insurers now had to guarantee an assured benefit in the form of a rate of return that would have to be disclosed upfront.

Portability of health insurance (2011)

The customer at the time of renewal can switch:-

- From one insurance company to another of choice; or
- From one insurance plan to another with the same insurance company.

IRDAI (Micro Insurance) Regulations (2015)

Has expanded the variety of players in micro-insurance to include intermediaries such as the RBI-regulated NBFCs and BCs appointed as per the RBI's fiancial inclusion guidelines.

- Mandates additional and refresher training for micro insurance agents.
- Has increased the limit of risk coverage levels of various products (which ranged from Rs 5,000 to Rs 50,000) to Rs 2.5 lakh. This could help to cover the lower middle income strata which were previously uninsured due to lower limit and poor accessibility.

Insurance Laws (Amendment) Act, 2015

Increased in FDI limit from 26% to 49%

- Penalization for mis-selling, misrepresentation and other such violations now include higher penalties for intermediaries and/or insurance companies.

- Disallows mis-selling through multi-level marketing of insurance products.

- Permits foreign re-insurers to open branches only for the re-insurance business.

- Gives more power to IRDAI to take charge of key aspects such as solvency, expenses and commissions, and proposes to extend the insurance industry's reach to under-served areas.

Life insurance policy in India is mounting speedily ever since the sector opened up for the private and foreign players. The industry is in the throes of competitive market forces. Unlike several industries like telecommunication and oil industry, insurance is not a high capital cost industry. This industry is put up on a good will and on access of distribution set-up.

CONCLUSION

It may be concluded from the above discussion that India's potential for service industry in Life Insurance is expand in India with aspirations, changing psychological pattern, growing life insurance, emerging new dimension in market for Life Insurance in India. Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI). While PLI is open only to public sector employees, RPLI is for all (especially the rural population). We see a large pool coming for new dimension in new era for the better performance and better implementation for the purpose of consumers. IRDA has formulated new policies in services industries vis-à-vis Life Insurance in India.

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