

Innovations in Life Insurance Sector

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Abstract: *Insurance sector has vital role in economic and social development of a country as it not only contributes to GDP of a country but is also a social security tool in a developing nation. In India the life insurance sector has come a long way from its nationalisation in 1956 to liberalisation with the passing of Insurance Regulatory and Development Authority Act in 1999. The emerging needs, consumer education and privatisation brought lot of changes and challenges for the only public life insurance company in India. Life Insurance Corporation of India has succeeded in meeting the challenges and has maintained its leading position in life insurance industry due to its innovative practices. This paper provides the overview of life insurance sector in India and analyses the performance and innovative strategies of Life Insurance Corporation of India.*

Keywords: *Growth, Life Insurance, LIC, Innovative Practices*

I. Introduction

Life Insurance is a financial cover for a contingency linked with human life, like death, disability, accident, retirement etc. When human life is lost or a person is disabled permanently or temporarily, there is loss of income to the household.[1] Through life insurance the loss of human value cannot be saved but the consequential loss can be minimized. Life insurance companies offer protection to customers and provide means for accumulating household savings and channelize funds to Government and other sectors of society. [2] Due to increase in environmental hazards, awareness level and disintegration of joint families, the customers have realised their insurance needs. In this changed socio-economic scenario they demand flexibility of products and services. In India the history of life insurance industry spread over 138 years starting from the establishment of first insurance company (1818) to the time of nationalisation of insurance business (1956) and establishment of Life Insurance Corporation of India.[2] The major milestone was the liberalisation of life insurance sector by government to provide better insurance coverage and services to policyholders. Liberalisation has led to cut throat competition among the life insurers and it becomes imperative to provide innovative products and better services to customers. The increase in the number of players within the sector also led to the expansion of the product portfolio offered by them. Greater focus began to be laid on not only meeting the customer's need but surpassing his expectations in terms of product range, benefits offered in terms of return. [3]. The entry of private companies has opened doors to innovations and LIC the only life insurance public company has to compete with private players in product range, distribution channels, customer services and promotional activities to retain its market share.

II. Review Of Literature

Srinivasan K. has discussed the innovative channel strategies of insurance companies insurance industry and stated that reaching the remotest corner is the mantra of insurance players. To achieve this objective the distribution channels have taken a different „avatars“ like corporate agents, bank assurance and retail insurance etc. The study concluded that though there are few innovations in channels of insurance industry but it is expected that they will try more channels.[4]

Bedi H. S. and Singh, P. (2011), analysed the overall performance of Life insurance industry of India and challenges faced by LIC between pre and post economic reform. The study also discussed about the competition and challenges faced by LIC. It was concluded that total business of LIC is in increasing trend due to LPG policy.[5]

Jha Priti and Roy Bindu (2015) had studied the role and growth of LIC in Life insurance industry. They suggested that Life Insurance Corporation of India should strive to increase its business by issuing more & more policies in order to retain its market share in the competitive scenario. It should also adopt new marketing strategies as well as make advertisement to promote & aware about its policies to the consumers.[6]

Kumar, Srivastava and Tripathi studied the changing trends in insurance industry. They opined that Indian insurance industry has modified itself with the passage of time by introducing customized products based on customers' need and through innovative distribution channels. The opening of the insurance sector for private companies has broken the monopoly of LIC and brought a tough competition among the players. This

competition has resulted into innovations in products, pricing, distribution channels and marketing in the industry.[7]

III. Objective And Research Methodology

The study has been undertaken with following objectives :

- 1 To study the development of life insurance sector in India.
- 2 To study the performance and the innovative practices of Life Insurance Corporation of India (LIC).

The paper is based on secondary data and the required data is collected from annual reports of IRDAI and LIC, journals, books articles from newspapers websites.

IV. Life Insurance Sector In India

_____The modern concept of insurance came to India from England and Oriental Life Insurance Company was the first insurance company established in Calcutta in 1818. The insurance company came into existence with the objective of meeting the needs of European community and did not provide insurance coverage to Indians. Later on life insurance companies started insuring Indian natives but they treated Indian lives as sub-standard ones and charged heavy extra premiums. In 1870 the first Indian life insurance company was established which covered Indian lives at normal premium. With time many insurance companies like Bharat Insurance Company (1896), The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore (1906) to provide social security through insurance to different sectors of society. To regulate the insurance industry the Life Insurance Company Act was passed in 1912 making it mandatory for insurance companies to get their premium rate table certified from actuary. This act discriminated between Indian and Foreign insurance companies and put the Indian companies at disadvantage. Due to mushrooming growth of insurance companies there was a demand for nationalisation of insurance sector and a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly in 1944 and life insurance in India was nationalized on 19th of January, 1956. [8] Later in 1999, on the recommendations of Malhotra Committee, the government passed the Insurance Regulatory and Development Authority (IRDA) Act and insurance sector was liberalised. The liberalisation allowed international insurance players to operate in Indian market. At end of March 2015, there are 24 life insurance companies operating in India of which LIC is sole public insurance company. [9]

V. Performance And Innovative Practices Of LIC

Life Insurance Corporation was established on 1st September 1956 with an objective of providing life insurance coverage to all people of country at reasonable cost. Since its inception LIC has crossed many milestones and has shown tremendous growth in various aspects of insurance. LIC started with 5 zonal offices, 33 divisional offices and 212 branch offices and at later stage the re-organisation of LIC was done and large number of new branch offices were opened. At present LIC has a Wide Area Network covering 2048 fully computerized branch offices, 113 divisional offices, 8 zonal offices, 1401 satellite offices and the corporate office across the country. Total First Year Premium of Life Insurers went up by 22.55% to ` 1,38,657 crore in FY 2015-16 as compared to ` 1,13,143 crore in the previous fiscal while the number of new policies increased by 3.20% to 2.67 crore in the year 2015-16 from 2.59 crore in the year 2014-15. During FY 2015-16, the Market Share of Life Insurance Corporation of India in Total First Year Premium has gone up from 69.21% to 70.44% and has come down from 77.85% to 76.84% in number of New Business policies. As at 31 March, 2016, LIC of India had its offices in 606 districts out of 640 districts in the country and it covered 94.69 per cent of all districts in the country.[9] In India the insurance sector was liberalised in 2000 and was opened for private insurance companies. The private players entered the insurance market with innovative marketing strategies but still LIC continues to be the dominant life insurer. One of the reasons of this is the innovative strategies of LIC in product development, providing services to policyholders, grievance handling, and promotion and distribution channels.

5.1 Customer Services

LIC has emphasised on the delivery of quality services for customer satisfaction and their retention. The Corporation has introduced innovative channels for collection of premium so that policyholders can pay their premium anytime and from anywhere. During 2015-16, 48.20 % of total premium were collected through alternate channels of Corporation. LIC has launched Customers' Portal Payment Gateway in which the premium can be paid online on website of company with Net banking facility, debit and credit cards. The renewal premium can also be collected by the Development officers, agents, retired employees through their collection centres authorised by LIC. Presently more than 36,000 centres are operating in India for premium collection. LIC has also launched its mobile application through which customer can pay premium online on

Windows and Android phones. In addition to these premium can be paid through Electronic Clearance System (ECS), Corporation Bank, Citi Bank, HDFC Bank, ICICI Bank, Federal Bank, Axis Bank, at any Branch or Extension Counter or ATM of Corporation Bank & Axis Bank. The Corporation is also providing facility to pay premium through Direct Debit from ICICI and Corporation Bank and through approved Franchisees. For the year of 2015-16 48.26 of total renewal premium transactions were collected through alternative channels. LIC is also operating 73 Customer Zones in India for meeting all servicing needs of customers and has introduced NEFT (National Electronic Fund Transfer) for payments and during 2015-16, it has settled 69.73% of the total payments through NEFT. Another step is the launch of IVRS (Integrated Voice Response System) which operates 24x7 from 15 cities. Any customer can contact on Universal Access Number (UAN) 1251 for any information. LIC has also launched SATELLITE SAMPARK offices. These offices are small but closer to customer and have digitized records that facilitate anywhere servicing. To overcome language barrier LIC has also facilitated its policyholders to perform their work in Hindi.[10]

5.2 Product Development

Initially the life insurance products were perceived as a tax saving instrument and customer purchased them for tax saving purpose but now with improved literacy and awareness level, customers are analysing their insurance needs. They are interested in insurance products that build wealth, provide risk coverage, and provide health and old age security. To meet the emerging needs of consumers LIC has innovated variety of products including term, endowment, education, pension health, money back. During 2015-2016, 8 new plans were launched by LIC which includes 5 Individual products viz. LIC Jeevan tarun, LIC's New endowment plus, LIC's Jeevan labh, LIC's Jeevan Shikar, LIC's Jeevan pragathi plan and two group products viz. LIC Single premium group insurance, LIC's group credit life insurance in addition to that Pradhan Mantri Jeevan Jyothi bimayojana was also launched on behalf of government of India. The corporation also introduced LIC's linked accidental death benefit rider during this FY. As end of FY 2015-16 the corporation had 23 individual products and 12 group products and 6 riders available for sale.

5.3 Distribution Channels

Distribution channel is a way of reaching and rendering services to the customers. Initially LIC distributed its products mainly through agents but with the development in technology, it has introduced number of alternative channels to increase its penetration. Presently LIC has tie-ups with 12 PSU Banks, 3 Private Banks, 10 Regional Rural Banks, 34 Co-operative Banks and 1 Foreign Bank. The banks and alternative channels contributed 2.93% of Total First Premium Income (Individual Assurance) during 2015-2016. The banks completed 291801 policies and ₹ 766.71 crore of FPI. The bank and alternative channels FPI to Total first premium income was 2.93% during the year. In addition to this 85 Corporate agents completed 38,988 policies and 40.44 crore of FPI. Direct Marketing Channel was established in August, 2009 by LIC for marketing of insurance policies with 6 Units and 138 DSEs. The initiative was taken to reach the untapped sectors by providing improved services through a committed professional sales force with enhanced use of technology. Presently this channel operates through 124 Units across the India and the Channel completed 78,832 Policies and procured a First Premium Income of ₹ 406.09 crore in 2015-2016. [10] The LIC Portal launched by Corporation has made it convenient to the policyholders to buy insurance plans and other services.

5.4 Promotion Channels

Through promotional tools insurance company communicates the benefits of its products and services to people. This communication performs three functions-to inform, to persuade and to remind. [11] LIC has introduced innovative promotional activities to provide insurance education and information about its products. The Corporation has launched awareness campaign through radio, T.V, internet, print media. It has sponsored more than 100 events in 2015-2016 in various categories like sports, conferences, seminars, events by educational institutions, NGOs etc. LIC has also initiated LIC student of year, College campus activity, Mobile van Activity, Wall Paintings. An Advertisement campaign on E-commerce is also run on websites like IRCTC, Flipkart, and Snapdeal etc. The fan count on LIC Facebook page reached 3 Million and on Twitter it has more than 6500 followers. LIC also made its presence on YouTube channel and presently it has more than 2500 subscriber.[10]

5.5 Handling of Grievances

LIC has launched IT enabled support system to reduce manual interventions and to ensure the quick resolution of grievances of customers. It has launched Customer friendly Integrated Complaint Management System through which registered policy holder can directly register complaint and through Customer Portal (website) and can track its status. For redressal of grievances the names of grievance officers are published on website and the policyholders can also contact at e-mail. LIC has launched LICHELP where Policyholders can

send SMS by keying “LICHELP <policy no> to “9222492224” or “56767877”. The policyholder will receive an acknowledgement SMS with a reference number and an employee will contact the customer for redressal of complaint or query .The policyholder will be updated through SMS/e-mail at each stage.[10]

VI. Conclusion

The insurance industry in India was liberalised in 2000 allowing private companies but still LIC has remain successful in creating trust and confidence among policyholders. LIC has developed its product, promotion, distribution strategies after analysing the changing economic, socioenvironment conditions. It has also supported its marketing and administrative activities with IT to provide better services and convenience to its customers. Still there is enough potential for positive growth of the Indian insurance industry as insurance penetration and density in India is low as compared to peer countries. As nearly 70%of Indian population lives in rural areas, LIC should focusmore on marketing research and develop innovative marketing and consumer awareness strategies to capture the untapped segment and to increase life insurance coverage.

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