CHAPTER - I

PART–A : MARKETING STRATEGIES IN LIFE INSURANCE BUSINESS

Concept of Marketing

There are many definitions of marketing. 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.1

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.2

The Production Concept of Marketing

The production concept prevailed from the time of the industrial revolution until the early 1920's. The production concept was the idea that a firm should focus on those products that it could produce most efficiently and that the creation of a supply of low-cost products would in and of itself creates the demand for the products. The key questions that a firm would ask before producing a product were.
At the time, the production concept worked fairly well because the goods that were produced were largely those of basic necessity and there was a relatively high level of unfulfilled demand. Virtually everything that could be produced was sold easily by a sales team whose job it was simply to execute transactions at a price determined by the cost of production. The production concept prevailed into the late 1920's.

The Sales Concept of Marketing

By the early 1930's however, mass production had become commonplace, competition had increased, and there was little unfulfilled demand. Around this time, firms began to practice the sales concept (or selling concept), under which companies not only would produce the products, but also would try to convince customers to buy them through advertising and personal selling. Before producing a product, the key questions were.³

The sales concept paid little attention to whether the product actually was needed; the goal simply was to beat the competition to the sale with little regard to customer satisfaction. Marketing was a function that was performed after the product was developed and produced, and many people came to associate marketing with hard selling. Even today, many people use the word "marketing" when they really mean sales.
Modern Concept of Marketing

Old concept

Product/service → Sale → Profit maximization through sale.

New concept

Identify customer’s need → Product/Service → Sale → Profit through customer satisfaction → Customer welfare

Fig. 1.1 Represents 4 P’s
MARKETING MIX FOR INSURANCE COMPANIES

The marketing mix is the combination of marketing activities that an organization engages in so as to best meet the needs of its targeted market. The Insurance business deals in selling services and therefore due weight age in the formation of marketing mix for the Insurance business is needed. The marketing mix includes sub-mixes of the 7 P’s of marketing i.e. the product, its price, place, promotion, people, process & physical attraction. The above mentioned 7 P’s can be used for marketing of Insurance products, in the following manner:

PRODUCT

A product means what we produce. If we produce goods, it means tangible product and when we produce or generate services, it means intangible service product. A product is both what a seller has to sell and a buyer has to buy. Thus, an Insurance company sells services and therefore services are their product. In India, the Life Insurance Corporation of India (LIC) and the General Insurance Corporation (GIC) are the two leading companies offering insurance services to the users. Apart from offering life insurance policies, they also offer underwriting and consulting services. When a person or an organization buys an Insurance policy from the insurance company, he not only buys a policy, but along with it the assistance and advice of the agent, the prestige of the insurance company and the facilities of claims and compensation. It is natural that the
users expect a reasonable return for their investment and the insurance companies want to maximize their profitability. Hence, while deciding the product portfolio or the product-mix, the services or the schemes should be motivational. The Group Insurance scheme is required to be promoted, the Crop Insurance is required to be expanded and the new schemes and policies for the villagers or the rural population are to be included. The Life Insurance Corporation has intensified efforts to promote urban savings, but as far as rural savings are concerned, it is not that impressive. The introduction of Rural Career Agents Scheme has been found instrumental in inducing the rural prospects but the process is at infant stage and requires more professional excellence. The policy makers are required to activate the efforts. It would be prudent that the LIC is allowed to pursue a policy of direct investment for rural development. Investment in Government securities should be stopped and the investment should be channelized in private sector for maximizing profits. In short, the formulation of product-mix should be in the face of innovative product strategy. While initiating the innovative process it is necessary to take into consideration the strategies adopted by private and foreign insurance companies.

**PRICING**

In the insurance business the pricing decisions are concerned with:

- The premium charged against the policies,
- Interest charged for defaulting the payment of premium and credit facility, and
- Commission charged for underwriting and consultancy activities.

With a view of influencing the target market or prospects the formulation of pricing strategy becomes significant. In a developing country like India where the disposable income in the hands of prospects is low, the pricing decision also governs the transformation of potential policyholders into actual policyholders. The strategies may be
high or low pricing keeping in view the level or standard of customers or the policyholders. The pricing in insurance is in the form of premium rates. The three main factors used for determining the premium rates under a life insurance plan are mortality, expense and interest. The premium rates are revised if there are any significant changes in any of these factors.

• **Mortality** (deaths in a particular area):
When deciding upon the pricing strategy the average rate of mortality is one of the main considerations. In a country like South Africa the threat to life is very important as it is played by host of diseases.

• **Expenses**:
The cost of processing, commission to agents, reinsurance companies as well as registration are all incorporated into the cost of installments and premium sum and forms the integral part of the pricing strategy.

• **Interest**:
The rate of interest is one of the major factors which determines people’s willingness to invest in insurance. People would not be willing to put their funds to invest in insurance business if the interest rates provided by the banks or other financial instruments are much greater than the perceived returns from the insurance premiums.

**PROMOTION**

The insurance services depend on effective promotional measures. In a country like India, the rate of illiteracy is very high and the rural economy has dominance in the national economy. It is essential to have both personal and impersonal promotion strategies. In promoting insurance business, the agents and the rural career agents play an important role. Due attention should be given in selecting the promotional tools for agents
and rural career agents and even for the branch managers and front line staff. They also have to be given proper training in order to create impulse buying.

Advertising and Publicity, organization of conferences and seminars, incentive to policyholders are impersonal communication. Arranging Kittens, exhibitions, participation in fairs and festivals, rural wall paintings and publicity drive through the mobile publicity van units would be effective in creating the impulse buying and the rural prospects would be easily transformed into actual policyholders

**PHYSICAL DISTRIBUTION**

Distribution is a key determinant of success for all insurance companies. Today, the nationalized insurers have a large reach and presence in India. Building a distribution network is very expensive and time consuming. If the insurers are willing to take advantage of India’s large population and reach a profitable mass of customers, then new distribution avenues and alliances will be necessary. Initially insurance was looked upon as a complex product with a high advice and service component. Buyers prefer a face-to-face interaction and they place a high premium on brand names and reliability. As the awareness increases, the product becomes simpler and they become off-the-shelf commodity products. Today, various intermediaries, not necessarily insurance companies, are selling insurance. For example, in UK, retailer like Marks & Spencer sells insurance products. The financial services industries have successfully used remote distribution channels such as telephone or internet so as to reach more customers, avoid intermediaries, bring down overheads and increase profitability. A good example is UK insurer Direct Line. It relied on telephone sales and low pricing. Today, it is one of the largest motor insurance operators.
Technology will not replace a distribution network though it will offer advantages like better customer service. Finance companies and banks can emerge as an attractive distribution channel for insurance in India. In Netherlands, financial services firms provide an entire range of products including bank accounts, motor, home and life insurance and pensions. In France, half of the life insurance sales are made through banks. In India also, banks hope to maximize expensive existing networks by selling a range of products. It is anticipated that rather than formal ownership arrangements, a loose network of alliance between insurers and banks will emerge, popularly known as banc assurance. Another innovative distribution channel that could be used are the non-financial organizations. For an example, insurance for consumer items like fridge and TV can be offered at the point of sale. This increases the likelihood of insurance sales. Alliances with manufacturers or retailers of consumer goods will be possible and insurance can be one of the various incentives offered.

**ROLE OF IRDA IN INSURANCE SECTOR**

**Concept of IRDA:**

IRDA is Insurance Regulatory Development Authority, that has been set up to protect the interests of the policy holders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental there to.

*This definition has been taken from the IRDA website...*

Insurance Regulatory and Development Authority To protect the interests of the policyholders Insurance Regulatory & Development Authority is regulatory and development authority under Government of India in order to protect the interests of the policyholders and to regulate, promote and ensure orderly growth of the insurance
industry. It is basically a ten members' team comprising of a Chairman, five full time members and four part-time members, all appointed by Government of India. This organization came into being in 1999 after the bill of IRDA was passed in the Indian parliament.

**Role of IRDA in insurance sector**

Regularizing the activities of the insurance companies, which were permitted to establish their business in India; besides more number of our citizens be brought into the net of life insurance cover. Then to create healthy competition among insurance companies of both general and life, besides regulating them.

**Duties, Power & Functions of IRDA**

Section 14 of IRDA Act, 1999 lays down the duties, powers and functions of IRDA

1. Subject to the provisions of this Act and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

2. Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include,

   • issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;

   • protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;
• specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;

• specifying the code of conduct for surveyors and loss assessors;

• promoting efficiency in the conduct of insurance business;

• promoting and regulating professional organizations connected with the insurance and re-insurance business;

• levying fees and other charges for carrying out the purposes of this Act;

• calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business;

• control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);

• specifying the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by insurers and other insurance intermediaries;

• regulating investment of funds by insurance companies;

• regulating maintenance of margin of solvency;

• adjudication of disputes between insurers and intermediaries or insurance intermediaries;

• supervising the functioning of the Tariff Advisory Committee;
specifying the percentage of premium income of the insurer to finance schemes for promoting and regulating professional organizations referred to in clause (f);

- specifying the percentage of life insurance business and general insurance business to be undertaken by the insurer in the rural or social sector; and

- exercising such other powers as may be prescribed

**Impact of IRDA On Indian Insurance Sector**

The creation of IRDA has brought revolutionary changes in the Insurance sector. In last 10 years of its establishment the insurance sector has seen tremendous growth. When IRDA came into being; only players in the insurance industry were Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC), however in last decade 23 new players have emerged in the filed of insurance. The IRDA also successfully deals with any discrepancy in the insurance sector.

**Regulators**

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 Industry has ombudsmen in 12 cities. Each ombudsman is empowered to redress customer grievances in respect of insurance contracts on personal lines where the insured amount is less than Rs. 20 lakes, in accordance with the Ombudsmen Scheme.

**Insurance Regulatory & Development Authority (IRDA)**
IRDA was constituted by an act of parliament. The Authority is a ten member team consisting of:

(a) a Chairman
(b) five whole-time members
(c) four part-time members

(1) Subject to the provisions of Section 14 of IRDA Act, 1999 and any other law for the time being in force, the Authority shall have the duty to regulate, promote and ensure orderly growth of the insurance business and re-insurance business.

(2) Without prejudice to the generality of the provisions contained in sub-section (1), the powers and functions of the Authority shall include, -

(a) Issue to the applicant a certificate of registration, renew, modify, withdraw, suspend or cancel such registration;

(b) protection of the interests of the policy holders in matters concerning assigning of policy, nomination by policy holders, insurable interest, settlement of insurance claim, surrender value of policy and other terms and conditions of contracts of insurance;

(c) Specifying requisite qualifications, code of conduct and practical training for intermediary or insurance intermediaries and agents;

(d) Specifying the code of conduct for surveyors and loss assessors;

(e) Promoting efficiency in the conduct of insurance business;

(f) Promoting and regulating professional organizations connected with the insurance and re-insurance business;
(g) Levying fees and other charges for carrying out the purposes of this Act;

(h) calling for information from, undertaking inspection of, conducting enquiries and investigations including audit of the insurers, intermediaries, insurance intermediaries and other organizations connected with the insurance business;

(i) control and regulation of the rates, advantages, terms and conditions that may be offered by insurers in respect of general insurance business not so controlled and regulated by the Tariff Advisory Committee under section 64U of the Insurance Act, 1938 (4 of 1938);

INSURANCE CONTRACT

The insurance contract is a legal document that spells out the coverage, features, conditions and limitations of an insurance policy. It is critical that you read the contract and ask questions if you don't understand the coverage. You don't want to pay for the insurance and then find out that what you thought was covered isn't included. Insurance terminology you should know:

Bound

Once the insurance has been accepted and is in place, it is called "bound". The process of being bound is called the binding process.

Insurer
A person or company that accepts the risk of loss and compensates the insured in the event of loss in exchange for a **premium** or payment. This is usually an insurance company.

**Insured**

The person or company transferring the risk of loss to a third party through a contractual agreement (insurance policy). This is the person or entity who will be compensated for loss by an insurer under the terms of the insurance contract.

**Insurance Rider/ Endorsement**

An attachment to an insurance policy that alters the policy's coverage or terms

**Insurance Umbrella Policy**

When insurance coverage is insufficient, an umbrella policy may be purchased to cover losses above the limit of an underlying policy or policies, such as homeowners and auto insurance. While it applies to losses over the dollar amount in the underlying policies, terms of coverage are sometimes broader than those of underlying policies.

**Insurable Interest**

In order to insure something or someone, the insured must provide proof that the loss will have a genuine economic impact in the event the loss occurs. Without an insurable interest, insurers will not cover the loss. It is worth noting that for property insurance policies, an insurable interest must exist during the underwriting process and at the time of loss. However, unlike with property insurance, with **life insurance**, an insurable interest must exist at the time of purchase only.

**Nature of life insurance contract**
• Unilateral
• An – Aleotory
• Conditional
• Contract of adhesion
• Contract of certain amount
• Essential general contract\(^5\)

**General Nature of a contract**

• Offer & Acceptance
• Consideration
• Competence of parties
• Legality of object
• Free consent of the parties\(^6\)

**THE INSURANCE ACT, 1938**

THE INSURANCE ACT, 1938 ACT NO. 4 OF 1938

[26th February, 1938.]

An Act to consolidate and amend the law relating to the business of insurance.

WHEREAS it is expedient to consolidate and amend the law relating to the business of insurance; it is hereby enacted as follows:--

**PART I**

**PRELIMINARY**

1. Short title, extent and commencement. (1) This Act may be called the Insurance Act, 1938.

1\(^*[2]\) It extends to the whole of India 2***.]
(3) It shall come into force on such date 3* as the Central Government may, by
notification in the Official Gazette, appoint in this behalf.

2. Definitions. In this Act, unless there is anything repugnant in the subject or context,--

(1) "actuary" means an actuary possessing such qualifications as may be prescribed ;

4*[(2) "policy-holder" includes a person to whom the whole of the interest of the policy-
holder in the policy is assigned once and for all, but does not include an assignee thereof
whose interest in the policy is defensible or is for the time being subject to any condition ;]

5*[(3) "approved securities" means--

(i) Government securities and other securities charged on the revenues of the Central
Government or of the Government of a 6*** State or guaranteed fully as regards principal
and interest by the Central Government, or the Government of any 6* State;

Extended to Goa, Daman and Diu with modifications, by Reg. 12 of 1962, s. 3 & Sch.

The Act comes into force in Pondicherry on 1.10.1963 vide Reg. 7 of 1963, s. 3 and Sch. I.

Extended to and brought into force in Dadra and Nagar Haveli (w.e.f.

1.7.65) by Reg. 6 of 1963, s. 2 & Sch. I.

Extended to Laccadive, Minicoy and Amindivi Islands (w.e.f.

1.10.1967): vide Reg. 8 of 1965, s. 3 & Sch.

Extended to and brought into force in the State of Sikkim (w.e.f.

(ii) debentures or other securities for money issued under the authority of any Central Act or Act of a State Legislature by or on behalf of a port trust or municipal corporation or city improvement trust in any presidency-town;

(iii) shares of a corporation established by law and guaranteed fully by the Central Government or the Government of a *1 State as to the repayment of the principal and the payment of dividend;

(iv) securities issued or guaranteed fully as regards principal and interest by the Government of any Part B State and specified as approved securities for the purposes of this Act by the Central Government by notification in the Official Gazette; and (v) subject to the limitations contained in the proviso hereto, securities guaranteed fully as regards principal and interest by a Provincial Government in Pakistan or charged on the revenues of any part of that Dominion, and debentures or other securities for money issued by or on behalf of the trustees of the port of Karachi:

Provided that securities or debentures specified in item (v) shall be recognized as approved securities only for such purposes and for such period and subject to such conditions as may be prescribed;]

2*[Explanation.-- In sub-clauses (i) and (iii), "Government of a State" in relation to any period before the 1st November, 1956, means the Government of a Part A State.]

3*[[(4) "auditor" means a person qualified under the Chartered Accountants Act, 1949 (38 of 1949), to act as an auditor of companies;]

4*[[(4A) "banking company" and "company" shall have the meanings respectively assigned to them in clauses (c)
and (d) of sub-section (1) of section 5 of the Banking Companies Act, 1949 (10 of 1949) 5*.

(5) "Certified" in relation to any copy or translation of a document required to be furnished by or on behalf of

[See footnote 2 for this section]

1*[an insurer or a provident society as defined in Part III] means certified by a principal officer of 2*[such insurer or provident society] to be a true copy or a correct translation, as the case may be;

3*[5A) "chief agent" means a person who, not being a salaried employee of an insurer, in consideration of any commission--

(i) Performs any administrative and organizing functions for the insurer, and (ii) procures life insurance business for the insurer by employing or causing to be employed insurance agents on behalf of the insurer;

(5B) "Controller of Insurance" or "Controller" means the officer appointed by the Central Government to perform the duties of the Controller of Insurance under this Act;]

(6) "Court" means the principal Civil Court of original jurisdiction in a district, and includes the High Court in exercise of its ordinary original civil jurisdiction;

3*[6A) "fire insurance business" means the business of effecting, otherwise than incidentally to some other class of insurance business, contracts of insurance against loss by or incidental to fire or other occurrence customarily included among

THE LIFE INSURANCE CORPORATION ACT, 1956

THE LIFE INSURANCE CORPORATION ACT, 1956 ACT NO. 31 OF 1956
[18th June, 1956.]

An Act to provide for the nationalization of life insurance business in India by transferring all such business to a Corporation established for the purpose and to provide for the regulation and control of the business of the Corporation and for matters connected therewith or incidental thereto.

BE it enacted by Parliament in the Seventh Year of the Republic of India as follows:--

CHAPTER I

PRELIMINARY

1. Short title and commencement. (1) This Act may be called the Life Insurance Corporation Act, 1956.

(2) It shall come into force on such date 1* as the Central Government may, by notification in the Official Gazette, appoint.

2. Definitions. In this Act, unless the context otherwise requires,--

(1) "Appointed day" means the date on which the Corporation is established under section 3;

(2) "Composite insurer" means an insurer carrying on in addition to controlled business any other kind of insurance business;

(3) "Controlled business" means--

(i) in the case of any insurer specified in sub-clause (a) (ii) or sub-clause (b) of clause (9) of section 2 of the Insurance Act and carrying on life insurance business--

(a) All his business, if he carries on no other class of insurance business;
(b) All the business appertaining to his life insurance business, if he carries on any other class of insurance business also;

Extended to and brought into force in Dadra and Nagar Haveli (w.e.f. 1.7.65) by Reg. 6 of 1963, s. 2 & Sch. I.

Extended to Goa, Daman and Dui by Reg. 11 of 1963, s. 3 & sch. (with modifications)

Extended to the Union territory of Pondicherry by Act 26 of 1968, s. 3 and Schedule.

1. 1st July, 1956, see Gazette of India, 1956, Extraordinary, Pt. II, Sec. 3. p. 1531.

246 (c) all his business, if his certificate of registration under the Insurance Act in respect of general insurance business stands wholly cancelled for a period of more than six months on the 19th day of January, 1956;

(ii) In the case of any other insurer specified in clause (9) of section 2 of the Insurance Act and carrying on life insurance business--

(a) All his business in India, if he carries on no other class of insurance business in India;

(b) All the business appertaining to his life insurance business in India, if he carries on any other class of insurance business also in India;

(c) all his business in India, if his certificate of registration under the Insurance Act in respect of general insurance business in India stands wholly cancelled for a period of more than six months on the 19th day of January, 1956;

Explanation.-An insurer is said to carry on no class of insurance business other than life insurance business, if, in addition to life insurance business, he carries on only capital
redemption business or annuity certain business or both; and the expression "business appertaining to his life insurance business" in sub-
Clauses (i) and (ii) shall be construed accordingly;

(iii) in the case of a provident society, as defined in section 65 of the Insurance Act, all its business;

(iv) in the case of the Central Government or a State Government, all life insurance business carried on by it, subject to the exceptions specified in section 44;

(4) "Corporation" means the Life Insurance Corporation of India established under section 3;

(5) "Insurance Act" means the Insurance Act, 1938 (4 of 1938);

(6) "Insurer" means an insurer as defined in the Insurance Act who carries on life insurance business in India and includes the Government and a provident society as defined in section 65 of the Insurance Act;

(7) "Member" means a member of the Corporation;

(8) "Prescribed" means prescribed by rules made under this Act;

247 (9) "Tribunal" means a Tribunal constituted under section 17 and having jurisdiction in respect of any matter under the rules made under this Act;

(10) All other words and expressions used herein bu...

CONCEPT OF INSURANCE

An introduction to insurance

With the insurance sector in full bloom, today, it would not be wrong to say that in the present market scenario, there is an insurance available for just about anything and
everything. With even a bourgeois family man opting for various insurance schemes, the question today is not whether you have insurance or not. Instead it is, whether you need a particular insurance or not? Insurance is no doubt an area of immense importance in regards to the financial and monetary sectors of every individual. The whole idea behind Insurance as a financial security tool was to design something which could secure the financial well-being of an individual as well as his/her dependents, in case he/she undergoes an unforeseen loss. These losses could be related to health, property, assets or life in general. Insurance helps people manage monetary risks and losses related to investments, liabilities for wrong financial actions, and risks for inability to earn income at any stage of life. Insurance generally covers all these risks.

The basic economic principle of life insurance, therefore, is “the risk suffered by a few is spread over a large no. of persons who face the same risk” 7

**Definition of Insurance** – promises of reimbursement in the Case of loss; paid to people or companies so concerned about hazards that they have made prepayments to an insurance company” 8

**Definition of life Insurance** – “Life insurance can be defined as a policy that will pay a specified sum to beneficiaries up on the death of insured” 9

**How it works**

While applying for insurance, you need to fulfill a lot of paperwork formalities. A handful of forms need to be filled in by you while applying for insurance with a particular insurance company, some of which are compulsory by law, while the others are optional, depending from one company to another. By filling up all the necessary formalities and agreeing to the terms and conditions of an insurance policy of a particular company, a
contract is developed between the both of you. An insurance policy encloses in it a copy of all the terms and conditions of the insurance company as well as providing you with the detailed information about the monthly premium you will be paying, also specifying the life or the term of the insurance. The policy will also enclose in it, all the accidents or mishaps which will be covered by the insurance company in case they occur to you or any of your dependant or property or assets, depending upon the type of insurance you have opted for. The insurance company agrees to pay you a sum of money to recover the losses you underwent in the occurrence of a specific mishap, in exchange for the monthly payments made by you to the company, also known as the premium. The severity of that event or mishap may be varying from a car breakdown to a medical emergency, depending on the type of insurance you have opted for.

"Term insurance policies can be issued for as short as a period of one year or for fixed terms of 5, 10, 15 or 20 years or for protection up to a certain age say 60 or 65 years"

If you underwent an incident which you know has been insured by your insurance company, you can make a claim for all the damage done in the incident and can receive a payment for the same from them. On every claim that you make, be it a huge one or a nominal one, you will receive an amount you are insured for, excluding a fraction of the total amount which you must pay for, in each claim. The higher is the fraction of amount which you agree to pay for every insured incident, the lower are the premiums which you will have to pay to the insurance company and vice versa.

However, insurance companies underwrite proposals for term insurance policies very carefully various restrictions as to –
Hence, it is always advisable to pay a higher premium in exchange for a lower deductible amount you pay, especially for the claims that are likely to be made by you sooner or later. TheLoanBazaar.com provides its clients with the most suitable insurance schemes and policies to suit their needs and requirements. We provide Insurance to cover various events and incidents and our - Insurance Services Can Be Broadly Classified Into 6 Types, Which Are:-

**Home Insurance** real estate assets or property are always at risk for theft or destruction by various causes such as accidents, natural calamities, or any other mishap. Home insurance with TheLoanBazaar.com helps you manage all these risks.

**Health Insurance** medical care these days costs much higher than what it was ten years back. Health care insurance is necessary for every individual to assure a passable level of medical care required to lead a healthy life. With the old aged people, a health insurance can get them reassured about paying their medical bills in case of emergencies.

**Life Insurance** a life insurance is beneficiary especially for the people who are the sole bread earners of their house or the ones with many dependants on them. In case of any mishap, if their family were to lose them due to a death, their family would be forced to suffer financial sufferings.
In case an accident leaves them disabled for their present job, although the insurance company would not be able to payback the loss of the disability, but would at least be able to cover your losses and keep you from going into a financial loss.

**General Insurance** against risk of loss to assets like car, house, accident etc. is covered under General or Non-life Insurance. General insurance includes fire insurance, marine insurance, motor insurance, theft insurance, health insurance, personal accident insurance etc. To buy or get information on life insurance products offered by us, please click on the link above.

**Travel Insurance** is intended to cover any of the financial or any other losses which were incurred by the insured while traveling, be it nationally or internationally, such as mountain trekkers, cruise travelers etc.

**Auto Insurance** damage of such assets like cars, trucks or any other vehicle can be unpredictable during traveling. Any mishap or accident can take place any time. Auto insurance protects certain assets from many forms of loss by insuring it for the damages consequential to the asset’s use.

**HISTORY OF INSURANCE**

"In India, insurance has a deep-rooted history. It finds mention in the writings of Manu (Manusmrithi), Yagnavalkya (Dharmasstra) and Kautilya (Arthasastra). The writings talk in terms of pooling of resources that could be re-distributed in times of calamities such as fire, floods, epidemics and famine. This was probably a pre-cursor to modern day insurance. Ancient Indian history has preserved the earliest traces of insurance in the form of marine trade loans and carriers’ contracts. Insurance in India has evolved over time heavily drawing from other countries, England in particular". 12
"1818 saw the advent of life insurance business in India with the establishment of the Oriental Life Insurance Company in Calcutta. This Company however failed in 1834. In 1829, the Madras Equitable had begun transacting life insurance business in the Madras Presidency. 1870 saw the enactment of the British Insurance Act and in the last three decades of the nineteenth century, the Bombay Mutual (1871), Oriental (1874) and Empire of India (1897) were started in the Bombay Residency. This era, however, was dominated by foreign insurance offices which did good business in India, namely Albert Life Assurance, Royal Insurance, Liverpool and London Globe Insurance and the Indian offices were up for hard competition from the foreign companies"  

"In 1914, the Government of India started publishing returns of Insurance Companies in India. The Indian Life Assurance Companies Act, 1912 was the first statutory measure to regulate life business. In 1928, the Indian Insurance Companies Act was enacted to enable the Government to collect statistical information about both life and non-life business transacted in India by Indian and foreign insurers including provident insurance societies. In 1938, with a view to protecting the interest of the Insurance public, the earlier legislation was consolidated and amended by the Insurance Act, 1938 with comprehensive provisions for effective control over the activities of insurers"  

"The Insurance Amendment Act of 1950 abolished Principal Agencies. However, there were a large number of insurance companies and the level of competition was high. There were also allegations of unfair trade practices. The Government of India, therefore, decided to nationalize insurance business"  

"An Ordinance was issued on 19th January, 1956 nationalizing the Life Insurance sector and Life Insurance Corporation came into existence in the same year. The LIC
absorbed 154 Indian, 16 non-Indian insurers as also 75 provident societies—245 Indian and foreign insurers in all. The LIC had monopoly till the late 90s when the Insurance sector was reopened to the private sector.  

The history of general insurance dates back to the Industrial Revolution in the west and the consequent growth of sea-faring trade and commerce in the 17th century. It came to India as a legacy of British occupation. General Insurance in India has its roots in the establishment of Triton Insurance Company Ltd., in the year 1850 in Calcutta by the British. In 1907, the Indian Mercantile Insurance Ltd was set up. This was the first company to transact all classes of general insurance business.  

1957 saw the formation of the General Insurance Council, a wing of the Insurance Association of India. The General Insurance Council framed a code of conduct for ensuring fair conduct and sound business practices.

In 1968, the Insurance Act was amended to regulate investments and set minimum solvency margins. The Tariff Advisory Committee was also set up then.

In 1972 with the passing of the General Insurance Business (Nationalization) Act, general insurance business was nationalized with effect from 1st January, 1973. 107 insurers were amalgamated and grouped into four companies, namely National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd and the United India Insurance Company Ltd. The General Insurance Corporation of India was incorporated as a company in 1971 and it commence business on January 1st 1973.  

This millennium has seen insurance come a full circle in a journey extending to nearly 200 years. The process of re-opening of the sector had begun in the early 1990s
and the last decade and more has seen it been opened up substantially. In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the private sector be permitted to enter the insurance industry. They stated that foreign companies be allowed to enter by floating Indian companies, preferably a joint venture with Indian partners” 19

"Following the recommendations of the Malhotra Committee report, in 1999, the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objectives of the IRDA include promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums, while ensuring the financial security of the insurance market” 20

The IRDA opened up the market in August 2000 with the invitation for application for registrations. Foreign companies were allowed ownership of up to 26%. The Authority has the power to frame regulations under Section 114A of the Insurance Act, 1938 and has from 2000 onwards framed various regulations ranging from registration of companies for carrying on insurance business to protection of policyholders’ interests” 21

In December, 2000, the subsidiaries of the General Insurance Corporation of India were restructured as independent companies and at the same time GIC was converted into
a national re-insurer. Parliament passed a bill de-linking the four subsidiaries from GIC in July, 2002" 22

Today there are 14 general insurance companies including the ECGC and Agriculture Insurance Corporation of India and 14 life insurance companies operating in the country.

The insurance sector is a colossal one and is growing at a speedy rate of 15-20%. Together with banking services, insurance services add about 7% to the country’s GDP. A well-developed and evolved insurance sector is a boon for economic development as it provides long-term funds for infrastructure development at the same time strengthening the risk taking ability of the country.

INDIAN INSURANCE INDUSTRY

Insurers

Insurance industry, as on 1.4.2000, comprised mainly two players: the state insurers:

Life Insurers

- Life Insurance Corporation of India (LIC)

General Insurers

- General Insurance Corporation of India (GIC) (with effect from Dec‘2000, a National Reinsurer)

GIC had four subsidiary companies, namely (with effect from Dec‘2000, these subsidiaries have been de-linked from the parent company and made as independent insurance companies.
1. **The Oriental Insurance Company Limited**

2. **The New India Assurance Company Limited**

3. **National Insurance Company Limited**

4. **United India Insurance Company Limited**

**Yr: 2000-2001: (From 2nd April '2000 to 31st December'2001)**

Insurance Industry in the year 2000-2001 had 16 new entrants, namely:

**Life Insurers:**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Registration Number</th>
<th>Date of Reg.</th>
<th>Name of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>101</td>
<td>23.10.2000</td>
<td>HDFC Standard Life Insurance Company Ltd.</td>
</tr>
<tr>
<td>2</td>
<td>104</td>
<td>15.11.2000</td>
<td>Max New York Life Insurance Co. Ltd.</td>
</tr>
<tr>
<td>3</td>
<td>105</td>
<td>24.11.2000</td>
<td>ICICI Prudential Life Insurance Company Ltd.</td>
</tr>
<tr>
<td>4</td>
<td>107</td>
<td>10.01.2001</td>
<td>Kotak Mahindra Old Mutual Life Insurance Limited</td>
</tr>
<tr>
<td>5</td>
<td>109</td>
<td>31.01.2001</td>
<td>Birla Sun Life Insurance Company Ltd.</td>
</tr>
<tr>
<td>6</td>
<td>110</td>
<td>12.02.2001</td>
<td>Tata AIG Life Insurance Company Ltd.</td>
</tr>
<tr>
<td>7</td>
<td>111</td>
<td>30.03.2001</td>
<td>SBI Life Insurance Company Limited</td>
</tr>
<tr>
<td>8</td>
<td>114</td>
<td>02.08.2001</td>
<td>ING Vysya Life Insurance Company Private Limited</td>
</tr>
<tr>
<td>9</td>
<td>116</td>
<td>03.08.2001</td>
<td>Bajaj Allianz Life Insurance Company Limited</td>
</tr>
<tr>
<td>10</td>
<td>117</td>
<td>06.08.2001</td>
<td>Metlife India Insurance Company Ltd.</td>
</tr>
</tbody>
</table>

*Source: www. Insurance irda.com*
MARKET SHARE OF INDIAN INSURANCE INDUSTRY

The introduction of private players in the industry has added value to the industry. The initiatives taken by the private players are very competitive and have given immense competition to the on time monopoly of the market LIC. Since the advent of the private players in the market the industry has seen new and innovative steps taken by the players in this sector. The new players have improved the service quality of the insurance. As a result LIC down the years have seen the declining phase in its career. The market share was distributed among the private players. Though LIC still holds the 75% of the insurance sector but the upcoming natures of these private players are enough to give more competition to LIC in the near future. LIC market share has decreased from 95% (2002-03) to 81% (2004-05). The following companies has the rest of the market share of the insurance industry. Table 3 shows the mane of the player in the market.

TABLE SHOW THE INSURANCE COMPANY AND THE SHARE HOLDING PATTEN

<table>
<thead>
<tr>
<th>Name Of The Insurance Company</th>
<th>Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural Insurance Co</td>
<td>Bank and Public Ins Co</td>
</tr>
<tr>
<td>Bajaj Allianz General Insurance Co. Ltd.</td>
<td>Privately Held</td>
</tr>
<tr>
<td>Cholamandalam MS General Insurance Co. Ltd</td>
<td>Privately Held</td>
</tr>
<tr>
<td>Export Credit Guarantee Company</td>
<td>Public Sector</td>
</tr>
<tr>
<td>HDFC Chubb General Insurance Co. Ltd.</td>
<td>Privately Held</td>
</tr>
<tr>
<td>ICICI Lombard General Insurance Co. Ltd.</td>
<td>Privately Held</td>
</tr>
<tr>
<td>IFFCO-Tokio General Insurance Co. Ltd.</td>
<td>Privately Held</td>
</tr>
<tr>
<td>National Insurance Co. Ltd.</td>
<td>Public Sector</td>
</tr>
</tbody>
</table>
There are a total of 14 Insurance companies operating in India, of which 6 is a Public Sector Undertaking and the balance 8 are Private Sector Enterprises.

TABLE SHOW THE NAME OF THE LIFE INSURANCE COMPANY AND THE SHARE HOLDING PATTERN

<table>
<thead>
<tr>
<th>Name Of The Company</th>
<th>Nature Of Holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allianz Bajaj Life Insurance Co</td>
<td>Private</td>
</tr>
<tr>
<td>Aviva Life Insurance</td>
<td>Private</td>
</tr>
<tr>
<td>Birla Sun Life Insurance Co</td>
<td>Private</td>
</tr>
<tr>
<td>HDFC Standard Life Insurance Co</td>
<td>Private</td>
</tr>
<tr>
<td>ICICI Prudential Life Insurance Co</td>
<td>Private</td>
</tr>
<tr>
<td>ING Vysya Life Insurance Co.</td>
<td>Private</td>
</tr>
<tr>
<td>Life Insurance Corporation of India</td>
<td>Public</td>
</tr>
<tr>
<td>Max New York Life Insurance Co.</td>
<td>Private</td>
</tr>
<tr>
<td>MetLife Insurance Co.</td>
<td>Private</td>
</tr>
<tr>
<td>Om Kotak Mahindra Life Insurance</td>
<td>Private</td>
</tr>
<tr>
<td>Reliance insurance</td>
<td>Private</td>
</tr>
<tr>
<td>SBI Life Insurance Co</td>
<td>Private</td>
</tr>
<tr>
<td>TATA- AIG Life Insurance Company</td>
<td>Private 25</td>
</tr>
</tbody>
</table>

There are a total of 13 life insurance companies operating in India, of which one is a Public Sector Undertaking and the balance 12 are Private Sector Enterprises.

LIFE INSURANCE BUSINESS AT PRESENT
<table>
<thead>
<tr>
<th>Name Of The Player</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Insurance Corporation of India</td>
<td>76.07 %</td>
</tr>
<tr>
<td>ICICI Prudential Life Insurance Co</td>
<td>6.91</td>
</tr>
<tr>
<td>Allianz Bajaj Life Insurance Co</td>
<td>4.75%</td>
</tr>
<tr>
<td>SBI Life Insurance Co</td>
<td>2.98%</td>
</tr>
<tr>
<td>Birla Sun Life Insurance Co</td>
<td>1.72 %</td>
</tr>
<tr>
<td>HDFC Standard Life Insurance Co</td>
<td>1.66 %</td>
</tr>
<tr>
<td>TATA- AIG Life Insurance Company</td>
<td>1.46 %</td>
</tr>
<tr>
<td>Max New York Life Insurance Co.</td>
<td>1.28 %</td>
</tr>
<tr>
<td>Aviva Life Insurance</td>
<td>1.08 %</td>
</tr>
<tr>
<td>Om Kotak Mahindra Life Insurance</td>
<td>0.71 %</td>
</tr>
<tr>
<td>ING Vysya Life Insurance Co.</td>
<td>0.54 %</td>
</tr>
<tr>
<td>MetLife Insurance Co.</td>
<td>0.37 %</td>
</tr>
<tr>
<td>AMP SANMAR</td>
<td>0.46%</td>
</tr>
<tr>
<td>SAHARA LIFE</td>
<td>0.03%</td>
</tr>
</tbody>
</table>

*Source: - www. Life insurance .com*
MARKETING STRATEGY-A BRIEF

Marketing strategy is most effective when it is an integral component of corporate strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena. It is partially derived from broader corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement.

Marketing strategy consists of the analysis, strategy development, and implementation activities in: “Developing a vision about the market(s) of interest to the organization, selecting market target strategies, setting objectives, and developing, implementing, and managing the marketing program positioning strategies designed to meet the value requirements of the customers in each market target.”

Strategic marketing is a market-driven process of strategy development, taking into account a constantly changing business environment and the need to deliver superior customer value. The focus of strategic marketing is on organizational performance rather than a primary concern about increasing sales. Marketing strategy seeks to deliver superior customer value by combining the customer-influencing strategies of the business into a coordinated set of market-driven actions. Strategic marketing links the organization with the environment and views marketing as a responsibility of the entire business rather than a specialized function.
Because of marketing’s boundary orientation between the organization and its customers, channel members, and competition, marketing processes are central to the business strategy planning process. Strategic marketing provides the expertise for environmental monitoring, for deciding what customer groups to serve, for guiding product specifications, and for choosing which competitors to position against. Successfully integrating cross-functional strategies is critical to providing superior customer value. Customer value requirements must be transformed into product design and production guidelines. Success in achieving high-quality goods and services require finding out which attributes of goods and service quality drive customer value.

MARKETING STRATEGY IN LIFE INSURANCE BUSINESS – A PROCESS

The marketing strategy analysis, planning, implementation and management process is described below. The strategic situation analysis considers market and competitor analysis, market segmentation, and continuous learning about markets. Designing marketing strategy examines customer targeting and positioning strategies, marketing relationship strategies and planning for new products. Marketing program development consists of product, distribution, price, and promotion strategies designed and implemented to meet the value requirements of targeted buyers. Strategy implementation and management consider organizational design and marketing strategy implementation and control" 27
Fig. 1.  2 Process of Marketing Strategy

Stage 1: Strategic Situation Analysis

Marketing management uses the information provided by the situation analysis to guide the design of a new strategy or change an existing strategy. The situation analysis is conducted on a regular basis after the strategy is under way to evaluate strategy performance and identify needed strategy changes.

Market Vision, Structure, and Analysis markets need to be defined so that buyers and competition can be analyzed. For a market to exist, there must be (1) people with particular needs and wants and one or more products that can satisfy buyers’ needs, and (2) buyers willing and able to purchase a product that satisfies their needs and wants. A product-market consists of a specific product (or line of related products) that can satisfy a set of needs and wants for the people (or
organizations) willing and able to purchase it. The term products used to indicate either a physical good or an intangible service.

Analyzing product-markets and forecasting how they will change in the future are vital to business and marketing planning. Decisions to enter new product-markets, how to serve existing product-markets, and when to exist in unattractive product-markets are critical strategic choices. The objective is to identify and describe the buyers, understand their preferences for products, estimate the size and rate of growth of the market, and find out what companies and products are competing in the market.

Evaluation of competitors’ strategies, strengths, limitations and plans is also a key aspect of the situation analysis. It is important to identify both existing and potential competitors. Competitor analysis includes evaluating each key competitor. The analyses highlight the competition’s important strengths and weaknesses. A key issue is trying to figure out what each competitor is likely to do in future.

**Segmenting Markets** market segmentation looks at the nature and extent of diversity of buyers’ needs and wants in a market. It offers an opportunity for an organization to focus in business capabilities on the requirements of one or more groups of buyers. The objective of segmentation is to examine differences in needs and wants and to identify the segments (sub-groups) within the product-market of interest. Each segment contains buyers with similar needs and wants for the product category of interest to management. The segments are described using the various characteristics of people, the reasons that they buy or use certain products, and their preferences for certain brands of products. Likewise, segments of
industrial product-markets may be formed according to the type of industry, the uses for the product, frequency of product purchase, and various other factors.

Each segment may vary quite a bit from the average characteristics of the entire product-market. The similarities of buyers’ needs within a segment enable better targeting of the organization’s capabilities to buyers with corresponding value requirements.

**Continuous Learning about Markets** one of the major realities of achieving business success today is the necessity of understanding markets and competition. Sensing what is happening and is likely to occur in the future is complicated by competitive threats that may exist beyond traditional industry boundaries. For example, CD-ROMs compete with books.

**Stage 2: Designing Market-Driven Strategies**

The strategic situation analysis phase of the marketing strategy process identifies market opportunities, defines market segments, evaluates competition, and assesses the organization’s strengths and weaknesses. Market sensing information plays a key role in designing marketing strategy, which includes market targeting and positioning strategies, building marketing relationships, and developing and introducing new products.

**Market Targeting and Strategic Positioning marketing** advantage is influenced by several situational factors including industry characteristics, type of firm (e.g., size), extent of differentiation in buyers’ needs, and the specific competitive advantage(s) of the company designing the marketing strategy. The core issue is deciding how, when, and where to compete, given a firm’s market and competitive environment.
The purpose of the marketing targeting strategy is to select the people (or organizations) that management wishes to serve in the product-market. When buyers’ needs and wants vary, the market target is usually one or more segments of the product-market. Once the segments are identified and their relative importance to the firm determined, the targeting strategy is selected. The objective is to find the best match between the value requirements of each segment and the organization’s distinctive capabilities. The targeting decision is the focal point of marketing strategy since targeting guides the setting of objectives and developing a positioning strategy. The options range from targeting most of the segments to targeting one or few segments in a product-market. The targeting strategy may be influenced by the market’s maturity, the diversity of buyers’ needs and preferences, the firm’s size compared to competition, corporate resources and priorities, and the volume of sales required to achieve favorable financial results. Deciding the objectives for each market target spells out the results expected by management. Examples of market target objectives are desired levels of sales, market share, customer retention, profit contribution, and customer satisfaction. Marketing objectives may also be set for the entire business unit and for specific marketing activities such as advertising.

The marketing program positioning strategy is the combination of product, value-chain, price, and promotion strategies a firm uses to position itself against its key competitors in meeting the needs and wants of the market target, the strategies and tactics used to gain a favorable position are called the marketing mix or the marketing program.
Marketing Relationship Strategies marketing relationship partners may include end user customers, marketing channel members, suppliers, competitor alliances, and internal teams. The driving force underlying these relationships is that a company may enhance its ability to satisfy customers and cope with a rapidly changing business environment through collaboration of the parties involved. Relationship strategies gained new importance in the last decade as customers became more demanding and competition became more intense. Building long-term relationships with customers and value-chain partners offers companies a way to provide superior customer value. Although building collaborative relationships may not always be the best course of action, this avenue for gaining a competitive edge is increasing in popularity.

Strategic partnering has become an important strategic initiative for many well-known companies and brands. Many firms outsource the manufacturing of their products. Examples include Motorola cell phones, Calvin Klein jeans, Pepsi beverages, and Nike footwear. Strong relationships with outsourcing partners are vital to the success of these powerful brands. The trend of the 21st century is partnering rather than vertical integration.

Planning for New Plans new products are needed to replace old products because of declining sales and profits. Strategies for developing and positioning new market entries involve all functions of the business. Closely coordinated new-product planning is essential to satisfy customer requirements and produce products with high quality at competitive prices. New-product decisions include finding and evaluating ideas, selecting the most promising for development,
designing the products, developing marketing programs, use and market testing the products, and introducing them to the market.

The new-product planning process starts by identifying gaps in customer satisfaction. The differences between existing product attributes and those desired by customers offer opportunities for new and improved products.

**Stage 3: Market-Driven Program Development**

Market targeting and positioning strategies for new and existing products guide the choice of strategies for the marketing program components. Product, distribution, price, and promotion strategies are combined to form the positioning strategy selected for each market target.”

![Diagram](image)

**Fig. I . 3 Markets – Driven Program Development.**

The marketing program (mix) strategies implement the positioning strategy. The objective is to achieve favorable positioning while allocating financial, human, and production resources to markets, customers, and products as effectively and efficiently as possible.
**Strategic Brand Management products** (goods and services) often are the focal point of positioning strategy, particularly when companies or business adopt organizational approaches emphasizing product or brand management. Product strategy includes: (1) developing plans for new products, (2) managing programs for successful products, and (3) deciding what to do about problem products (e.g., reduce costs or improve the product). Strategic brand management consists of building brand value (equity) and managing the organization’s portfolio for overall performance.

**Value-Chain, Price, and Promotion Strategies** one of the major issues in managing program is deciding how to integrate the components of the mix. Product, distribution, price, and promotion strategies are shaped into a coordinated plan of action. Each component helps to influence buyers in their positioning of products. If the activities of these mix components are not coordinated, the actions may conflict and resources may be wasted. For example, if the advertising messages for a company’s brand stress quality and performance, but salesperson emphasize low price, buyers will be confused and brand damage may occur.

Market target buyers may be contacted on a direct basis using the firm’s sales force or by direct marketing contact (e.g., Internet), or instead, through a value-added chain (distribution channel) of marketing intermediaries (e.g., wholesalers, retailers, or dealers). Distribution channels are often used in linking procedures with end user household and business markets. Decisions that need to be made include the type of channel organization to use, the extent of channel management performed by the firm, and the intensity of distribution appropriate for the product.
or service. The choice of distribution channels influences buyers’ positioning of the brand.

Price also plays an important role in positioning a product or service. Customer reaction to alternative prices, the cost of the product, the prices of the competition and various legal and ethical factors establish the extent of flexibility management has in setting prices. Price strategy involves choosing the role of price in the positioning strategy, including the desired positioning of the product or brand as well as the margins necessary to satisfy and motivate distribution channel participants. Price may be used as an active (visible) component of marketing strategy, or, instead, marketing emphasis may be on other marketing mix components (e.g., product quality).

Advertising, sales promotion, the sales force, direct marketing, and public relations help the organization to communicate with its customers, value-chain partners, the public, and other target audiences. These activities make up the promotion strategy, which performs an essential role in communicating the positioning strategy to buyers and other relevant influences. Promotion informs, reminds, and persuades buyers and others who influence the purchasing process.

**Stage 4: Implementing and Managing Market-Driven Strategy**

Selecting customers to target and the positioning strategy for each target moves marketing strategy development to the action stage. This stage considers designing the marketing organization and implementing and managing the strategy.

**Designing Effective Market-Driven Organizations**

An effective organization design matches people and work responsibilities in a way that is best for
accomplishing the firm’s marketing strategy. Deciding how to assemble people into organizational units and assign responsibility to the various mix components that make up the marketing strategy are important influences on performance. Organizational structures and processes must be matched to the business and marketing strategies that are developed and implemented. Organizational design needs to be evaluated on a regular basis to assess its adequacy and to identify necessary changes.

**Strategy Implementation and Control**

Strategy implementation and control consist of: (1) preparing the marketing plan and budget; (2) implementing the plan; and (3) using the plan in managing and controlling the strategy on an ongoing basis. The marketing plan includes details concerning targeting, positioning, and marketing mix activities. The plan spells out what is going to happen over the planning period, who is responsible, how much it will cost, and the expected results (e.g., sales forecasts).

The marketing plan includes action guidelines for the activities to be implemented, who does what, the dates and location of implementation, and how implementation will be accomplished. Several factors contribute to implementation effectiveness including the skills and commitment of the people involved, organizational design, incentives, and the effectiveness of communication within the organization and externally.

Marketing strategy is an ongoing process of making decisions, implementing them, and tracking their effectiveness over time. In terms of its time requirements, strategic evaluation is far more demanding than planning. Evaluation and control are concerned with tracking performance and, when necessary, altering plans to...
keep performance on track. Evaluation also includes looking for new opportunities and potential threats in the future. It is the concerning link in the strategic marketing planning process. By serving as both the last stage and the first stage (evaluation before taking action) in the planning process, strategic evaluation assures that strategy is an ongoing activity.

**TYPES OF MARKETING STRATEGIES**

Every marketing strategy is unique, but can be reduced into a generic marketing strategy. There are a number of ways of categorizing these generic strategies. A brief description of the most common categorizing schemes is presented below:

**Strategies Based On Market Dominance** - In this scheme, firms are classified based on their market share or dominance of an industry. Typically there are three types of market dominance strategies:

- Leader
- Challenger
- Follower

**Porter Generic Strategies** - strategy on the dimensions of strategic scope and strategic strength. Strategic scope refers to the market penetration while strategic strength refers to the firm’s sustainable competitive advantage

- Cost leadership
- Product differentiation
- Market segmentation
**Innovation Strategies** - This deals with the firm's rate of the new product development and business model innovation. It asks whether the company is on the cutting edge of technology and business innovation. There are three types:

- Pioneers
- Close followers
- Late followers” 31

**Growth Strategies** - In this scheme we ask the question, “How should the firm grow?” There are a number of different ways of answering that question, but the most common gives four answers:

- Horizontal integration
- Vertical integration
- Diversification
- Intensification” 32

**ROLE OF MARKETING STRATEGIES IN LIFE INSURANCE BUSINESS**

As we’ve seen the key objective of an organization’s marketing efforts is to develop satisfying relationships with customers that benefit both the customer and the organization. These efforts lead marketing to serve an important role within most organizations and within society.

At the organizational level, marketing is a vital business function that is necessary in nearly all industries whether the organization operates as a for-profit or as a not-for-profit. For the for-profit organization, marketing is responsible for most tasks that bring revenue and, hopefully, profits to an organization. For the not-for-profit organization, marketing is responsible for attracting customers needed to support the not-for-profit’s
mission, such as raising donations or supporting a cause. For both types of organizations, it is unlikely they can survive without a strong marketing effort.

Marketing is also the organizational business area that interacts most frequently with the public and, consequently, what the public knows about an organization is determined by their interactions with marketers. For example, customers may believe a company is dynamic and creative based on its advertising message.

At a broader level marketing offers significant benefits to society. These benefits include:

- Developing products that satisfy needs, including products that enhance society’s quality of life
- Creating a competitive environment that helps lower product prices
- Developing product distribution systems that offer access to products to a large number of customers and many geographic regions
- Building demand for products that require organizations to expand their labor force
- Offering techniques that have the ability to convey messages that change societal behavior in a positive way (e.g., anti-smoking advertising)
- A very common way to promote a Life insurance company through Life Insurance Marketing is to make the name of the company familiar to others by means of television commercials, handling out pamphlets, hanging banners in populated areas and by providing exciting offers.
- Telephone marketing is another way of Life Insurance Marketing. One can see the telephone companies send messages about various offers and they even make phone calls. Web Insurance Marketing is another good strategy to
promote insurance policies. The pop ups that one sees while using Internet are actually a very effective way of sending messages across the potential insurance customers.

- One should listen to the existing Life Insurance Policy Holders as well as the potential Life insurance policy holders and listen to what people who actually matters have to say. One common problem that the insured persons face is that the insurance companies do not inform its clients about the hike in the premium rates. These things should be kept in mind. Not only that, a client should be informed about everything related to his policy and the Life insurance company should keep the transparency as much as possible.

- Community Life Insurance Marketing is another different way to get promotion and a high recognition for the Life insurance Company. Eminent workers join local community institutions, such as Chamber of Commerce, and by signing up there one can help out various projects that take place. These kinds of activities and social works on behalf of the Life insurance company helps the company to get free publicity as their names are published in newspaper and in media also. Doing charity works also helps the Life insurance companies to come across various people who act as volunteers and can act as their potential Life insurance clients. People also like to deal with like minded people and companies and this is how many deals are made.

- A Life Insurance Company should not charge different Life insurance client different charges for the same policy. This kind of policy gives the Life insurance policy holders the feeling that they are being treated unfairly and
also that the Life insurance companies are only looking for profits and not the betterment of customer welfare.

- When a Life insurance claim is filed, especially for a very big hefty amount, the Life insurance Company should help out the policy holder in processing out the paperwork. One should not let bureaucracy enter and make it so difficult for the one making the claim so that he gives his claim. This has always been a common tactic on the insurance company's part to avoid paying claims claimed by the policy holder. This though makes a short term profit for the company but it hurts in the long run as the reputation of the company is hampered severely.

- People in this Life insurance industry should always try to keep in constant contact with the existing customers as well. The competition in the insurance market is so fierce today that no company wants to loose out on a customer to another company. Clients who are not contacted for a longer period of time normally fail to remain loyal to the insurance company and look for a different Life insurance company. The company can keep the records of the client's birthday and days like anniversary and sent him or her small tokens of love or loyalty at a regular basis. If the company can afford a little more it can send dinner coupons to the Life insurance policy holder. These things play a major role and can be considered as an effective Life Insurance Marketing strategy.

- May be the most crucial thing in insurance marketing is to always speak about unity and honesty while dealing with a business. A Life Insurance Holder can find so many frauds in various life insurance companies today, that life insurance customers are going for products and services which are trustworthy to them. Feeling safe is about insurances and other things are most important as far as the insurance holder
is concerned. So, if a company remains loyal to its customers it will itself do Life Insurance Marketing for itself. So, only by remaining loyal to its customers the company can do a world of good to its reputation and this would in itself bring more potential Life Insurance Holders to the company, because the customers prefer safety more than anything else these days.

NEW TREND IN LIFE INSURANCE BUSINESS

"Today’s market is rapidly-changing world; the term life insurance market is on the move. Learn about what kinds of new and innovative products life insurance companies are offering today. Like other industries, the term life insurance industry is constantly finding new ways to meet consumers’ needs. While there are still the basic sorts of term life insurance offerings out there on the market, many life insurance companies are becoming more and more innovative as they struggle to create exactly what customers want to see".

This has led to a number of new and interesting trends in the life insurance marketplace, many of which may appeal to you. From new options for payouts to things like combined insurance, life insurance companies have plenty of interesting choices for you to consider. Take, for example, payout options. As you know, one of the sources of revenue for a life insurance company is the interest that they make on accumulated funds. The longer the life insurance company holds onto its premiums, the more money it makes. If the life insurance company can hold onto a portion of those funds for a longer
period of time, it will not only increase the company’s profits but it may be able to increase your policy’s benefits.

Instead of paying out your life insurance policy as a single lump sum, for example, it may offer death benefits as an annuity. This annuity will pay out the death benefit over time. In the long run, your beneficiaries will receive a larger payment than if they were to take it all at once. Of course, traditional one-time lump sum payments are still an option. Many customers still want their policy to pay the full benefit on their death. They don’t see their life insurance policy as an investment for their beneficiaries, but rather as a safety net should anything happen to them. Another rising trend in the term life insurance industry is that more and more companies are finding ways to offer products to older customers. As life expectancy increases, the older population becomes more and more of a potential market. It also becomes much more feasible to offer term life insurance products to older customers. While it may not have made much financial sense for a term life insurance company to offer products to someone over the age of 60 just a few decades ago, today it is much more likely that the individual will live into their 80s and beyond.

"Many term life insurance companies are now bundling their products with other insurance products, too. For example, some companies offer private medical insurance, long-term care insurance as well as term life insurance. By combining products in this way, the company can create a synergy that increases their bottom line but also the customer’s security and well-being." 34

There is much discussion these days, in both the public and private sectors, about not letting our current financial crisis go to waste. For life insurance agents, this "seize the
day" attitude is more than just a dose of positive thinking to treat a case of sales paralysis. It is a strategy that has proven effective over our industry's long, often dramatic history.

Following are three trends that come to mind and suggestions for how to use them to open doors to new life cases -

**The New Fiscal Conservatism**

"It may seem counterintuitive, but economist’s project that cash-strapped Americans are expected to save a larger percentage of their income over the next few years. When stocks and real estate were riding high, many Americans didn't feel a need to save money. The brisk collapse of the stock and real estate markets has changed the country's collective feelings on saving, however, and increased the preference for guarantees and conservative financial strategies. Far less attractive these days are promises of higher returns from riskier asset classes" 35

This trend puts life insurers in the sweet spot. Guaranteed protection and accumulation-based life insurance products can offer renewed value for clients now recognizing the need to manage downside risks and balance their portfolios with more conservative financial options. To satisfy this trend, new products are hitting the market, such as universal life products with more flexible guarantees that put less drag on cash accumulation and make pricing more accessible. These products can also appeal to business owners struggling to protect and retain key employees and provide for their financial futures at competitive rates.

**Rising Employment Insecurity**
"As people save more and spend less, many companies are being forced to cut expenses. Thousands of jobs and their corresponding benefits--including group life insurance coverage--have been cut, and more are in danger of being eliminated. It's especially difficult for somebody to lose work coverage if they don't have a separate policy in place. The risk of unemployment today is a very real concern for many Americans. For agents, these same Americans can be viewed as prospects for affordable, individual life coverage. In an uncertain job market, having a separate policy in place, in addition to employer coverage, can more adequately protect a family's future. 36

Even if you have clients who are confident their jobs are secure, would the free or low-cost coverage provided by their employer be enough to replace their income and support a family? Many Americans, including high-net-worth individuals, have a misguided reliance on their group life insurance benefits, since the term coverage provided is usually just a small portion of their annual salary. Will it be enough to pay for future college tuition? Help pay a mortgage and keep a family in their home? Would a separate term life policy fill the gap, fit the budget, and provide peace of mind?

A Sense Of Panic Among The Affluent

Another trend appears to be that no one--not even affluent consumers--is immune from the effects of this crisis. Results from an April 2009 AXA Equitable survey indicate that consumers’ behaviors and attitudes today vary significantly by the degree of affluence, as well as the age of the affluent person polled. Six in 10 affluent people surveyed said that they are worried that they may not be able to pay their mortgage if they
were to lose their job, compared with slightly more than half (54 percent) of the non-affluent. Less than half (48 percent) of the younger affluent consumers polled believe their personal financial situation has declined in the past year, while 66 percent of the older affluent feel they are worse off today.  

Market losses among many older affluent Americans have some consumers rethinking their wealth transfer planning. Now maybe a good time to discuss with them how, when used in the right circumstances, a life insurance death benefit offers an income tax-free mechanism to provide a guaranteed inheritance to beneficiaries, regardless of the performance of their non-life insurance investment portfolio. Life insurance can offer a strategy to protect inheritances simply through the use of the death benefit paid to beneficiaries. Particularly relevant today, the death benefit can have a stabilizing effect in the face of a potentially widely fluctuating portfolio. Premium payments and policy design can enhance the effect to a client and their beneficiaries.

Today, people of all incomes need financial guidance. Life agents are uniquely positioned to help people impacted by market volatility and insecurity, because we represent the only industry that can protect families, retirement incomes, and legacies with guaranteed financial products.

PRESENT SCENARIO OF INSURANCE INDUSTRY

India with about 200 million middle class household shows a huge untapped potential for players in the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for global insurance majors. The insurance sector in India has come to a position of very high potential and competitiveness in the market. Indians, have always seen life insurance as a tax saving device, are now suddenly turning to the private sector that are providing them new
products and variety for their choice. Consumers remain the most important centre of the insurance sector. After the entry of the foreign players the industry is seeing a lot of competition and thus improvement of the customer service in the industry. Computerization of operations and updating of technology has become imperative in the current scenario. Foreign players are bringing in international best practices in service through use of latest technologies. The insurance agents still remain the main source through which insurance products are sold. The concept is very well established in the country like India but still the increasing use of other sources is imperative. At present the distribution channels that are available in the market are listed below.

- Direct selling
- Corporate agents
- Group selling
- Brokers and cooperative societies
- Banc assurance" ³⁸

Customers have tremendous choice from a large variety of products from pure term (risk) insurance to unit-linked investment products. Customers are offered unbundled products with a variety of benefits as riders from which they can choose. More customers are buying products and services based on their true needs and not just traditional money back policies, which is not considered very appropriate for long-term protection and savings. There is lots of saving and investment plans in the market. However, there are still some key new products yet to be introduced - e.g. health products.
PART – B : REVIEW OF LITRATURE


The authors investigate how the passage of the Financial Services Modernization Act of 1999 (FMA) affected stock prices of banks, thrifts, finance companies and insurance companies. The study looks at stock excess returns across sectors and company size. The idea is that the passage of the FMA opens doors for potential mergers and consolidations across banking, financial and insurance sectors, translating into abnormal positive returns for businesses that are the likely candidate for mergers and consolidation. The results of the study suggest that the largest returns to the FMA passage were realized by large investment banks and insurance companies. The stock prices of banks, both small and large, seemed to be unaffected by the new legislation while thrifts, finance companies and foreign banks lost value.


In this paper, the author contends that the impact of the GLB Act on the insurance industry is unclear. It had been widely assumed that the banking industry would quickly expand into non-banking activities, as synergies could be expected from the large bank customer information base and frequent contacts with customers.
However, this quick response has not taken place, partly because of perception of risk in the insurance business.

The author also cites a research study by The Federal Reserve Bank of Atlanta that suggests that bank holding companies will add insurance products to their lines of business for sound reasons such as: 1) small increment costs involved, 2) the presence of existing customer relationships, 3) revenue diversification, 4) absence of interest rate risk in insurance compared with loans and 5) banks’ web-based marketing capability.

- **McDaniel, David** (1995): “Agents’ worst nightmare: Banks are gaining the edge to sell insurance in a big way”. *Best’s Review [Property/Casualty]*,

The article explains that insurance agents are afraid of banks cutting into their business as they have in Europe where banks are far more efficient than agents. The article lays out how to make the proposed legislation ineffective, by warning of unsubstantiated tie-ins and bank coercion, proposing 10-day waiting periods, state legislation, and tough fire walls

- **dallaram2007@yahoo.com** ABSTRACT This paper describes Nigerians attitudes towards the insurance institution.

The attitudes, most often negative, are mirrored through low patronage of insurance services. It discusses such social-cultural factors that account for these attitudes and what role marketing strategies can play to change such negative tide. Drawing from theoretical foundation, an empirical survey was conducted among 392 members of the public—insuring and non-insuring—to gauge their awareness level and general attitudes towards insurance companies and their operations. The
findings present different demographical factors and their attitudes towards insurance companies and their services. It is expected that findings from such survey would constitute vital input for insurers in designing marketing strategies that would further stimulate and boost patronage and perception of insurance services. Key words: insurance, attitude, Nigeria, demography, marketing, strategies African Journal of Accounting, Economics, Finance and Banking Research Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu

- The demand for life insurance in a country may be affected by the unique culture of the country to the extent that it affects the population’s risk aversion (Douglas and Wildavski, 1982). Henderson and Milhouse (1987) argue that an individual’s religion can provide an insight into the individual’s behaviour; and understanding religion is an important component of understanding a nation’s unique culture. Also, Zelizer (1979) notes that religion historically has provided a strong source of cultural opposition to life insurance as many religious people believe that a reliance on life insurance results from a distrust of God’s protecting care. Until the nineteenth century, European nations condemned and banned life insurance on religious grounds. Zelizer also states that religious antagonism to life insurance still remains in several Islamic countries. In similar vein, Wasaw and Hill (1986) tested the effect of Islam on life insurance consumption using an international data set. The results of their study indicate that, ceteris paribus, consumers in Islamic nations purchase less life insurance than those in non-Islamic nations. This becomes more evident in the fact that there is comparatively very low ratio of Muslims in developed countries with the majority residing in medium to low human development countries. From the thirty-five low human development
countries as defined by the Human Development Report (2004), seventeen have a majority Muslim population and a further five have a Muslim population of over 20 percent. Muslims around the world are commonly faced with low-income levels, and *African Journal of Accounting, Economics, Finance and Banking Research* Tajudeen Olalekan Yusuf, Ayantunji Gbadamosi, & Dallah Hamadu


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CHAPTER - II

RESEARCH METHODOLOGY