Chapter No. VI

Problems and Challenges for Life insurance business in India.

6.1 Introduction:

India’s rapid rate of economic growth over the past decade has been one of the more significant developments in the global economy. This growth has its roots in the introduction of economic liberalization in the early 1990s, which has allowed India to exploit its economic potential and raise the population’s standard of living.\(^1\) Insurance has a very important role in this process. Health insurance and pension systems are fundamental to protecting individuals against the hazards of life and India, as the second most populous nation in the world, offers huge potential for that type of cover. Furthermore, fire and liability insurance are essential for corporations to keep investment risks and infrastructure projects under control. Private insurance systems complement social security systems and add value by matching risk with price. Accurate risk pricing is one of the most powerful tools for setting the right incentives for the allocation of resources, a feature which is a key to a fast developing country like India. By nature of its business, insurance is closely related to saving and investing. Life insurance, funded pension systems and non-life insurance, will accumulate huge amounts of capital over time which can be invested productively in the economy. In developed countries reinsurers often own more than 25 per cent of the capital markets.\(^2\) The mutual dependence of insurance and capital
markets can play a powerful role in channeling funds and investment expertise to support the development of the Indian economy.

With a huge population base and large untapped market, insurance industry is a big opportunity area in India for national as well as foreign investors. India is the fifth largest life insurance market in the emerging insurance economies globally and is growing at 32-34 per cent annually.\(^3\) This impressive growth in the market has been driven by liberalization, with new players’ significantly enhancing product awareness and promoting consumer education and information. The strong growth potential of the country has also made international players to look at the Indian insurance market. Moreover, saturation of insurance markets in many developed economies has made the Indian market more attractive for international insurance players.

Notwithstanding the rapid growth of the sector over the last decade, insurance in India remains at an early stage of development. At the end of 2003, the Indian insurance market (in terms of premium volume) was the 19th largest in the world, only slightly bigger than that of Denmark and comparable to that of Ireland.\(^4\) This was despite India being the second most populous country in the world as well as the 12th largest economy. Yet, there are strong arguments in favour of sustained rapid insurance business growth in the coming years, including India’s robust economic growth prospects and the nation’s high savings rates. The dynamic growth of insurance buying is partly affected by the changing income elasticity of insurance demand. It has been shown that insurance penetration and per capita income have a strong non-linear relationship. Based on this relation and other considerations, it can be postulated that by 2014 the penetration of
life insurance in India will increase to 4.4 per cent and that of non-life insurance to 0.9 per cent.\textsuperscript{5}

The insurance industry in India was opened up to private sector participation in the year 2000. Prior to this, Life Insurance Corporation of India was the sole player in the life insurance industry in India. Since the entry of private players in the insurance market, LIC has lost 29 per cent market share to the private players, although both, market size and the insurance premium being collected, are on the rise. In 2005, life insurance accounted for 79 per cent of the total insurance market in India.\textsuperscript{6} In view of the increasing competition, this study attempts to understand the dimensions of service quality which helps ensuring maximum customer satisfaction, and hence, helps life insurers to acquire a larger share of the market.

\textbf{6.2 Progress of Indian Life Insurance Industry In The Post LPG Era}

In the post LPG period, the Life Insurance Industry of India witnessed a marvelous growth and touched its historical height. So many factors have collectively contributed to this remarkable achievement. In this tenure, the LIC of India introduced many phenomenal business strategies by way of offering colorful schemes and products. The reason for these kinds of extraordinary effect was only because of the stiff competition emerging by the private insurance players. The private insurance companies are offering plenty of new attractive schemes and products to get meaningful share in the insurance market.\textsuperscript{7} \textit{However}, the LIC of India has the powerful network and it is launching attractive advertisements in the regular interval to create great awareness among the general public. Simultaneously, the private life insurance companies are also taking much pain to cover-up the major
populations under their boundary. As a result, they are sponsoring series of effective awareness programmed through many attractive advertisements. This healthy competition motivates the general public to go in favour of more investments in insurance. While comparing the efficiency and progressiveness of life insurance business in pre and post LPG arena, the Indian life insurance Industries are achieving a magnificent growth.

6.3 Current Scenario:

Global integration of financial markets resulted from de-regulating measures, technological information explosion and financial innovations. Liberalization and Globalization have allowed the entry of foreign players in the Insurance sector. With the entry of private and foreign players in the Insurance business, people have got a lot of options to choose from. Radical changes are taking place in customer profile due to the changing lifestyle and social perception, resulting in erosion of brand loyalty. To survive, the focus of the modern insurers shifted to a customer-centric relationship.

- **Competition**: Private and Foreign entrants in the Insurance Industry made others difficult to retain their market. Higher customer aspirations lead to new expectations and compel him to move towards the insurer who provides him the best service in time. It becomes less viable for them even to maintain the functional networks or competitive standards and services. To survive in the Industry they analyze, the emerging requirements of the policyholders and they are in the forefront in providing essential services and introducing novel products. Thereby they become niche specialists, who provide the right service to the right person in right time.
• **Information Technology:** Insurers are the earlier adopters of technology. Because of the Information revolution, customers are free to choose from a wide range of new and innovative products. The Insurance companies are utilizing the Information technology applications for better customer service, cost reduction, new product design and development and many more. New technology gives the policyholders better, wider and faster access to products and services. The impact of Information Technology in Insurance business is being felt at an accelerating pace.\(^{10}\) In the initial years IT was used more to execute back office functions like maintenance of accounts, reconciling broker accounts, client processing etc. With the advent of database concepts, these functions are better integrated in an administrative efficiency. The real evolution is however emerged out of Internet boom. The Internet has provided brand new distribution channels to the Insurers. The technology has enabled the insurer to innovate new products, provide better customer service and deeper and wider insurance coverage to them. At present, Insurance companies are giving customers a distinct claim id to track claims on-line, entertaining on-line enrollment, eligibility review, financial reporting, billing and electronic fund transfer to its benefit clan customers.

• **Product Innovations:** Insurers are continuously innovating new products based on forward-looking models. They have developed new products addressing the new challenges in society and products to address the hazards from new environmental issues. Companies will need to constantly innovate in terms of product development to meet ever-changing consumer needs. Understanding the customer better will enable Insurance companies to design appropriate products, determine price correctly and to increase profitability. Since a single policy cannot meet all the Insurance objectives, one should have a portfolio of policies
covering all the needs. Product development is made possible by integrating actuarial, rating, claims and illustration systems. At present, the Life Insurers are concentrating on the pension schemes and the Non-Life Insurers on many innovative schemes of various realms and thereby enriching their market share. Moreover, with increased commoditization of insurance products, brand building is going to play a vital role.

- **Distribution Network:** While companies have been successful in product innovation, most of them are still grappling with right mix of Distribution Channels for capturing maximum market share to build brand equity, building strong and effective customer relationships and cost effective customer service. While the traditional channel of tied up advisors or agents would be the chief distribution channel, insurer should innovate and find new methods of delivering the products to customers. Corporate agency, brokerage, Banc-assurance, e-insurance, cooperative societies and panchayats are some of the channels, which can be tapped by the insurers to reach the appropriate market segments. Nowadays, the urban masses are tapped with the new techniques provided by Information Technology through Internet. Rural masses are attracted by the consultative approach adopted by the Insurers. Moreover, they attract the customers through telephone and mobile also.

- **Customer Education and Services:** Insurance is a unique service industry. The key industry drivers are related to lifestyle issues in terms of perceiving insurance as a savings instrument rather than for risk cover, need based selling, quality of service and customer’s awareness. In the present competitive scenario, a key differentiator is the professional customer service in terms of quality of advice on product choice along
with policy servicing. Servicing focus is on enhancing the customer’s experience and maximizing his convenience. This calls the effective CRM system, which eventually creates sustainable competitive advantage and enables to build long lasting relationship.

- **Modern Marketing Approach:** Having done market research and finalizing on segmentation, targeting and positioning the strategy would focus on the marketing mix namely, Product, Price, Place and Promotion. While determining the implementation methodology, the four characteristics viz. Intangibility, Inseparability, Perishability and Variability gives rise to certain unique requirements that deserve careful attention while formulating the marketing strategy for insurance. After implementation, the insurers should concentrate on the effective control that would enhance their business. In India Insurance is sold and not bought. The agents / Advisors by using various strategies sell the product by convincing the customers. Moreover, they push Policies with the highest premium to pocket a higher commission. The consultative approach to selling is the modern approach, which helps customers and prospects to buy. A consultant makes calls and sells just like any other sales person. The difference is in their attitude, their approach and their commitment. Here, the customer is seen as a person to be served and not a person to be sold. It helps the purchaser to make an intelligent decision. The four-step process includes - Need discovery, Selection of the product, Need satisfaction presentation, and Serving the sale. The commitments referred are:
  o Finding and understanding the needs of the customers.
  o Partnering with the customers.
  o Helping the customers to achieve his business and other objectives by the purchase of the product or service.
Believing that your products / services are a great fit with your customer’s needs, and

Believing in yourself and your ability to help the customers in solving their problems.

A consultant is willing to forego short-term gains to achieve greater long-term benefit to him and to the customers he serves. He builds relationships on a foundation of trust, respect and performance. Moreover, consultants don’t sell – they’re specialists who make recommendations to help the prospect to buy. They act as a professional and offer real-world solutions that make sense to the customer. Today, the insurers adopt this technique and thereby go on increasing their market share.

In the global era, Insurance companies are increasingly willing to spend more on the customer satisfaction and brand building exercises. Though it is one of the highly regulated industries, it still provides lot of scope for creativity and innovations. As our industry is predominantly dominated by personal selling and personalized services many a time the service standards vary based on the intermediary involved in the process. In order to achieve the competitive edge over others standardize the process and bring about quality improvement and get feedback from the customers regarding the quality of services rendered. This will result in customer satisfaction, customer retention, customer acquisition, and employee retention and cost reduction. This paper focuses on the marketing approach adopted by the modern insurers to withhold their existing customers and attract new ones.
6.4 Reaching Out To Customers:

The customer profile in the insurance industry is changing with the introduction of large number of divergent intermediaries such as brokers, corporate agents, and banc assurance. The industry now deals with customers who know what they want and when, and are more demanding in terms of better service and speedier responses. With the industry all set to move to a de-tariffed regime by 2007, there will be considerable improvement in customer service levels, product innovation and newer standards of underwriting. In a de-tariffed environment, competition will manifest itself in prices, products, underwriting criteria, innovative sales methods and creditworthiness. Insurance companies will vie with each other to capture market share through better pricing and client segmentation. The battle has so far been fought in the big urban cities, but in the next few years, increased competition will drive insurers to rural and semi-urban markets.

6.5 Life Product Development:

Before the opening of the insurance sector, the state-owned LIC sold insurance as a tax-efficient savings instrument rather than just offering protection. Most customers were underinsured with little flexibility or transparency in their policies. With the entry of the private insurers, consumers are now turning to the private sector for new innovative products. The market is already beginning to witness a wider range of products from players whose numbers are set to grow. As a result, the differentiating factors among the different players will be products, pricing and service. The twelve private sector insurers in the life insurance market have already captured nearly 13 per cent of the market in terms of new business written. This should be welcome news to an industry that is in need of a better
product mix to sustain further growth. This is especially true as the sale of traditional products suffered from lowering interest rates – new business premiums fell by 18.6 per cent during the 2002 financial year partly as a result of the withdrawal of tax benefits on single premium products, which has been instrumental in fuelling growth in preceding years.\textsuperscript{17} Such sensitivity of premium growth to interest-rate cycles reflects the focus on savings products in the Indian life insurance market.

In the past, the LIC had three commonly sold policies in the market for life insurance: whole life, endowment and money-back policies. The number of new policies sold each year went from about 0.95 million a year in 1957 to 26.97 million in 2003. The total number of in-force policies went from 5.42 million in 1957 to 141 million by March 2003. There are presently several dozen life products offered by the LIC. However, they are small variations on the three products mentioned above. In addition, even though term life policies were available, they were not actively promoted. LIC also has several pension products. Following the entry of the private insurers, there was a proliferation of products. 116 life products were offered by life insurance companies in India as of 31 March 2002. Of course, they were not all distinct products.\textsuperscript{18} Many products across different companies were very similar, if not identical. Some of the more popular products launched recently include creditor protection products like mortgage life, and unit-linked products.
6.6 High Potential and Competitiveness in Indian 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.19

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 but still the increasing use of other sources is imperative. At present the distribution channels that are available in the market are - Direct selling, corporate agents, Group selling, Brokers and cooperative societies, Banc-assurance, etc.

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.

The rural consumer is now exhibiting an increasing propensity for insurance products. In the insurance the awareness level for life insurance is the highest in rural India, but the consumers are also aware about motor, accidents and cattle insurance. Maximum respondents were said that they had purchased some kind of insurance with the maximum penetration skewed in favor of life insurance. The study also pointed out the LIC have huge task to play in creating awareness and credibility among the rural populace. The perceived benefits of buying a life policy range from security of income bulk return in future, daughter's marriage, children's education and good return on savings.

6.7 Application of Information Technology In Insurance Sector:

There is an evolutionary change in the technology that has revolutionized the entire insurance sector. Insurance industry is a data-rich industry, and thus, there is a need to use the data for trend analysis and personalization. With increased competition among insurers, service has become a key issue. Moreover, customers are getting increasingly sophisticated and tech-savvy. People today don’t want to accept the current value propositions, they want personalized interactions and they look for more and more features and add ones and better service
The insurance companies today must meet the need of the hour for more and more personalized approach for handling the customer. Today managing the customer intelligently is very critical for the insurer especially in the very competitive environment. Companies need to apply different set of rules and treatment strategies to different customer segments. However, to personalize interactions, insurers are required to capture customer information in an integrated system.

With the explosion of Website and greater access to direct product or policy information, there is a need to developing better techniques to give customers a truly personalized experience.**21** Personalization helps organizations to reach their customers with more impact and to generate new revenue through cross selling and up selling activities. To ensure that the customers are receiving personalized information, many organizations are incorporating knowledge database-repositories of content that typically include a search engine and let the customers locate the all document and information related to their queries of request for services. Customers can hereby use the knowledge database to manage their products or the company information and invoices, claim records, and histories of the service inquiry. These products also may be able to learn from the customer’s previous knowledge database and to use their information when determining the relevance to the customers search request.

A number of web-sites are coming up on insurance, a few financial magazines exclusively devoted to insurance and also a few training institutes being set up hurriedly. Many of the universities and management institutes
have already started or are contemplating new courses in insurance. Life insurance has today become a mainstay of any market economy since it offers plenty of scope for garnering large sums of money for long periods of time. A well-regulated life insurance industry which moves with the times by offering its customers tailor-made products to satisfy their financial needs is, therefore, essential if we desire to progress towards a worry-free future.

6.8 problem and Challenges facing Insurance Industry:

LIC have now to face competition to private sector insurance companies not only in issuing various range of insurance products but also in various aspects in terms of customer service, channels of distribution, effective techniques of selling the products etc. privatization of the insurance sector has opened the doors to innovations in the way business can be transacted.  

New age insurance companies are embarking on new concepts and more cost effective way of transacting business. The idea is clear to cater to the maximum business at the least cost. And slowly with time, the age-old norm prevalent with government companies to expand by setting up branches seems getting lost. Among the techniques that seem to catching up fast as an alternative to cater to the rural and social sector insurance is hub and spoke arrangement. These along with the participants of NGOs and Self Help Group (SHGs) have done with most of the selling of the rural and social sector policies.  

The Indian life insurance industry has its own origin and history. Since its inception, it has passed through many obstacles, hindrances to attain its present status. The income earning capacity of an individual citizen of a nation and the eagerness and awareness of the general public are the two key determinants of the growth of any insurance industry. As a result, wider mass-employment opportunities and sound educational system should be made available. In addition, the general public must be kept abreast of more knowledge and importance of life insurance, as these steps help to boost the growth of insurance industries. In this Indian context, insurance habit among the general public during the independence decade was quite rare and in the following decades, it increased slowly. There was a remarkable improvement in the Indian insurance industry soon after the acceptance and adaptation of liberalization, privatization, and globalization (LPG) in the year 1991. After 1991, the Indian life insurance industry has geared up in all respects, as well as it being forced to face a lot of healthy competition from many national as well as international private insurance players. The fall in the savings rate and increased competition in the primary market and particularly the aggressive mobilization by the mutual fund posed serious challenges to LIC.

- **Threat of New Entrants:** The insurance industry has been budding with new entrants every other day. Therefore the companies should carve out niche areas such that the threat of new entrants might not be a hindrance. There is also a chance that the big players might squeeze the small new entrants.

- **Power of Suppliers:** Those who are supplying the capital are not that big a threat. For instance, if someone as a very talented insurance underwriter is presently working for a small insurance company, there exists a chance
that any big player willing to enter the insurance industry might entice that person off.

- **Power of Buyers:** No individual is a big threat to the insurance industry and big corporate houses have a lot more negotiating capability with the insurance companies. Big corporate clients like airlines and pharmaceutical companies pay millions of dollars every year in premiums.

- **Availability of Substitutes:** There exist a lot of substitutes in the insurance industry. Majorly, the large insurance companies provide similar kinds of services - be it auto, home, commercial, health or life insurance.

### 6.9 Other key challenges:

Apart from the main challenges, such as product innovation and distribution, the two other issues that urgently need to be addressed are the escalating burden of the unfunded government pension and the challenge of increasing investment in the health insurance sector. One issue that urgently needs to be addressed is the escalating burden of the unfunded government pension and the building-up of retirement income for the non-salaried workforce. In the initial years, pension contributions were modest at a quarter of a percentage point of GDP – the same order of magnitude as life insurance savings. Pension savings then grew faster than life insurance savings in the subsequent years. They also exhibited a higher variability than life insurance savings. By 2000, pension savings had reached 2.5 per cent of GDP per year whereas insurance savings remained below 2 per cent of GDP. However, as suggested by the trend lines in the figure, the growth
rate of life insurance savings has been accelerating over the past decade whereas pension savings are hovering around a linear trend.

6.10 Important Steps For Overcome the Challenges:

Important steps have thus been already taken, but there are still major hurdles to overcome if the market is to realize its full potential. To begin with, India needs to further liberalize investment regulations on insurers to strike a proper balance between insurance solvency and investment flexibility. Furthermore, both the life and non-life insurance sectors would benefit from less invasive regulations. In addition, price structures need to reflect product risk. Obsolete regulations on insurance prices will have to be replaced by risk-differentiated pricing structures.

In the life sector, insurers will need to increase efforts to design new products that are suitable for the market and make use of innovative distribution channels to reach a broader range of the population. There is huge untapped potential, for example, in the largely undeveloped private pension market. At the moment, less than 11 per cent of the working population in India is eligible for participation in any formal old-age retirement scheme. Private insurers will have a key role to play in serving the large number of informal sector workers. The same is true for the health insurance business. In addition, the rapid growth of insurance business will put increasing pressure on insurers’ capital level. The current equity holding ceilings, however, could limit the ability of new companies to rapidly inject capital to match business growth.

As far as reinsurance is concerned, policymakers have to recognize that insurance and reinsurance cannot be treated in the same manner. Due
to the unique nature of reinsurance, it is necessary to delink the sector from regulations governing direct insurance companies. To allow branching of foreign reinsurers, for example, would make the market more attractive for international players and secure cover for natural catastrophe risks which, today, are mainly uninsured. Finally, the largely underserved rural sector holds great promise for both life and non-life insurers. To unleash this potential, insurance companies will need to show long-term commitment to the sector, design products that are suitable for the rural population and utilize appropriate distribution mechanisms. Insurers will have to pay special attention to the characteristics of the rural labour force, like the prevalence of irregular income streams and preference for simple products, before they can successfully penetrate this sector.

In order to ensure such an environment, internal marketing of the concept is required for the insurance agents. The challenge would be to not only gain new customers, but to retain them as well. If customers are satisfied with the responsiveness of the life insurance service provider, they are likely to take-up new policies, and also engage in positive word-of-mouth which would further increase the number of policies being sold. In a sector like financial service, word-of-mouth is a very effective mode of communication as credibility is a major concern in this sector. Satisfied customers recommend the company and the insurance agent to friends and acquaintances thus bringing in further business for the concerned company. Some aspects of the regulatory framework also need to be changed in view of the results of the study. At present life insurance agents cannot undertake premium payment on behalf of their clients. This regulation should be scrapped to ensure regular premium payment and better service to the customers.
In India has limited experience of insurance. Given that government has liberalized the insurance industry, insurance is going to develop rapidly in future. The challenge is to see that it benefits the poor and the weak in terms of better coverage and health services at lower costs without the negative aspects of cost increase and over use of procedures and technology in provision of health care. The experience from other places suggest that if health insurance is left to the private market it will only cover those which have substantial ability to pay leaving out the poor and making them more vulnerable. Hence India should proactively make efforts to develop Social Health Insurance patterned where there is universal coverage, equal access to all and cost controlling measures such as prospective per capita payment to providers. Given that India does not have large organized sector employment the only option for such social health insurance is to develop it through co-operatives, associations and unions. The existing health insurance programmes such as ESIS and Medi-claim also need substantial reforms to make them more efficient and socially useful. Government should catalyze and guide development of such social health insurance in India.²⁸

6.11 LIC Should Focus on:

Marketing Strategy:

Until the Indian insurance industry was liberalized, LIC did not have any clear marketing strategies. Since it enjoyed monopoly status, it could afford to have a very limited focus on marketing. For the average Indian, LIC became synonymous with life insurance, and over the years it built up an enviable brand image in both rural and urban areas. The company grew by leaps and bounds, with people buying its policies due to the tax concessions attached to it. On account of its position as a monopoly, LIC did not
standardize its practices nor did it focused on providing better customer service to the policyholders.  

Key insurance marketing strategies will always include an in-depth review of the value of follow-up. All successful sales agents understand that consumers need to be contacted again and again in order to make a vital connection. Also, great follow-up protocol lets the potential customer know that good, solid customer service will be part of the over-all package of attracting and caring for its’ customers. The consumer today not only wants a product at a great price, they also want a personal relationship, especially, when it comes to financial system sales such as various insurances. 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.

**Distribution:**

LIC had a large network of 8 lakh agents for distributing its products. The company had several marketing personnel designated as 'Development Officers' in each branch. These development officers, in turn, employed and trained a number of agents, and received incentives for the business generated by these agents, in addition to their regular salaries. However, this network was not very cost-effective as LIC had to pay bonuses and commissions twice - to the agents as well as the development officers - for every new policy and every subsequent renewal. Despite the efforts of the development officers, the retention of agents had become difficult.
**Customer Service:**

In order to be able to serve its customers better, LIC had a well-organized grievance redressal system. The grievance redressal system consisted of Grievance Redressal Officers, complaint cells, a claims review committee, policyholders' councils, an advisory board, a consumers' affairs committee and a citizens' charter. Grievance redressal officers were designated by LIC at all levels of the organization.\(^\text{30}\)

**Human Resources:**

LIC has had many problems relating to the efficient use of its human resources since the time it was set up. Many of these problems related to the fact that it was a public sector organization. The corporation's managers were too bureaucratic. The work culture in the organization was sloppy. Strong trade unions made it difficult for managers to get the work done. The corporation's development officers focused on their own earnings and incentives, rather than on customer satisfaction.

**Future Outlook:**

LIC planned to enter into more alliances with banks and with leading educational institutes for training. It would also increase offshore activities and set up an exclusive technology company for sourcing software. Other priorities were the setting up of special cells and single-window facilitation centers for high-end customers, rapid introduction of innovative policies, and a renewed thrust on mass and group business. The corporation also decided to offer value-added services to high-end customers, besides special services. At a later stage, it planned to have separate dedicated branches for high-end policyholders. The decision to have its own separate IT set-up was driven by the requirement of software for the sprawling network of LIC's branches and other offices.
1.1 Need of Worksite Marketing:

Worksite marketing is the process of distributing individual or group insurance products to people at their place of work on a voluntary, payroll-deduction basis. Under a worksite marketing arrangement, an insurer approaches an employer about offering its employees the opportunity to buy insurance coverage at work. If the employer agrees to the offering, the insurer’s sales representative then markets the products directly to the employees at the worksite. The employer implements a payroll deduction plan to withhold employees’ premium payments from their paychecks and then submits the premium payments to the insurance company. This area needs to be tapped, as in any country one of the biggest markets is through the worksite. With changes in human resources management polices and compensation packages, group products or work-site products do have a definite market that cannot be ignored. The advantages of worksite marketing:

- Captive customer base
- Potential to sell individual insurance and group insurance
- High hit ratio for intermediaries
- Usually employees perceive this as a facility provided to them by the employer for their welfare and this creates goodwill.
- High persistency.

This channel of distribution is beneficial to employer, employees and life insurer. One possible reason for insufficient development of this channel in India is that employers generally expect some kind of incentive to provide the facilities to the life insurers for making presentations and making arrangements for deduction of premium from salaries. The challenges would
be the cost effectiveness, product customization and efficient post sales servicing, which would determine continued business. Technology has a key role to play in worksite marketing to ensure cost benefits. Banks and financial institutions have been successfully marketing credit cards and other financial products using this channel. If not an identical model, a similar approach can be used for selling insurance.
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