CHAPTER - IV

COMPETITIVE STRATEGIES:

CASE STUDIES OF SELECTED LIFE INSURANCE COMPANIES
COMPETITIVE STRATEGIES – CASE STUDIES OF SELECTED LIFE INSURANCE COMPANIES

This chapter comprises of the case studies of five selected life insurance companies in India. A cross case analysis to highlight the emerging competitive dynamics in respect of various parameters have been dealt with at length. The case studies and cross case analysis were prepared based on the information collected from published sources, interaction with the respective corporate executives of the companies and the company’s websites. The data were mainly secondary in nature.

4.1 Case 1: Bajaj Allianz Life Insurance Company Ltd.,

Characterised by global presence with a local focus and driven by customer orientation to establish high earnings potential and financial strength, Bajaj Allianz Life Insurance Co. Ltd. was incorporated on 12th March 2001. The company received the Insurance Regulatory and Development Authority (IRDA) certificate of Registration (R3) No 116 on 3rd August 2001 to conduct Life Insurance business in India. Bajaj Finserv has a share of 74% and Allianz SE has the remaining 26%. Bajaj Allianz Life Insurance Co Ltd is a unique joint venture among the global giants Allianz Group (AG) and Bajaj Finserv. The company serves customers in all areas of General and Health Insurance as well as Risk Management.

4.1.1 Profile of the Partners:

Allianz Group is one of the world’s leading insurers and financial services providers. Founded in 1890 in Berlin, Allianz is now present in over 70 countries with almost 1,74,000 employees. At the top of the international group is the holding company, Allianz AG, with its head office in Munich. Allianz Group provides its more than 60 million customers worldwide with a comprehensive range of services in Property and Casualty Insurance, Life and Health Insurance, Asset Management and Banking. The
company is the 12th largest corporation in the world and is ranked second globally in terms of gross written premiums and has the third largest assets under management amongst insurance companies.

Bajaj FinServ (BFS) plans to be one of the top financial services business in India focused on delivering superior customer experience through competitive products and class leading services while providing consistent and superior returns to shareholders and maintaining the high levels of integrity of the Bajaj group. The company is currently engaged in life insurance; general insurance and consumer finance businesses and has plans to expand its business by offering a wide array of financial products and services in India. Apart from financial services, BFS is also active in wind-energy generation. The company has a nationwide presence with 876 offices and over 4 million satisfied customers. In the very first year, the company made a strong position for itself in the industry and was reckoned amongst the top private insurers.

4.1.2 Vision and Business Philosophy:

The vision of the organisation is to be the first choice for customers, and provide job satisfaction to the employees and create shareholder value. The organisation strives to excel in its products and services, providing total customer satisfaction. Customer delight is the guiding principle of the company. The business philosophy of the organisation is to ensure excellent insurance and investment solutions by offering customised products, supported by the best technology.

4.1.3 Capital Base:

The capital base of the company was maintained at Rs.12.10 Billion with no fresh infusion in the financial year 2008-09. Due to its emphasis on capital efficiency, the
company had one of the highest ratio of gross written premium to capital invested by shareholders among the private sector.

4.1.4 Business performance:

The Gross Written Premium (GWP) of the company has grown significantly from Rs.0.07 billion during its inception in 2001-02 to Rs.106.2 billion in 2008-09. The company which was the market leader in terms of new business premium for the year 2005-06, was at the third position among the private life insurers on New Business (NB) Premium basis for the financial year 2008-09 compared to the second position in the previous two years. It wrote NB of Rs. 44.9 Billion compared to Rs. 66.7 Billion in the previous year registering a negative growth rate of 32.7%. Market share of the Company dropped to 5.2% compared to 7.0% in the previous year. The Company is at second position among the private life insurers on the basis of number of new policies issued (first position in the previous two years); with 2.59 million policies issued in the year 2008-09 compared to 3.74 million policies issued in the previous year. The New Business Premium of the company after a continuous increase over the four year period 2004-08 declined in 2008-09. The new business premium which was Rs.857.44 crore in 2004-05 grew by 216.85 per cent to Rs.2716.8 crore in 2005-06. It further increased by 58.37 per cent to Rs.4302.7 crore in 2006-07, by 55.12 per cent to Rs.6674.5 crore in 2007-08. In the year 2008-09, the NBP fell by 32.73 per cent to Rs.4490 crore. The Gross Written Premium (GWP) of the company has grown at over 50 per cent for the four year period 2004-08 before slowing down to 9.24 per cent in 2008-09. The GWP which was Rs.1001.67 crore in 2004-05 increased by 212.84 per cent in 2005-06 to Rs.3133.58 crore, grew by 70.58 per cent in 2006-07 to Rs.5345.24 crore, increased by 81.94 per cent to Rs.9725.31 crore in
2007-08. The growth rate slowed down to 9.24 per cent in 2008-09 when the GWP was Rs.10,624.52 crore.

The first premium of the company has grown significantly from Rs.406.09 crore in 2004-05 to Rs.4012.39 crore, a growth of nearly 10 times in the five year period 2004-09. The first premium which was Rs.406.09 crore in 2004-05 grew by 197.78 per cent to Rs.1209.26 crore in the next year, increased by 157.52 crore to Rs.3114.13 crore in 2006-07. It grew by 90.09 per cent to Rs.5919.8 crore in 2007-08 but fell by 32.22 per cent to Rs.4012.39 crore in 2008-09. The renewal premium of the company which was Rs.144.22 crore in 2004-05 has grown manifold to reach Rs.6133 crore in 2008-09. The renewal premium grew by 189 per cent to cross Rs.416.8 crore in 2005-06, increased by 150.12 per cent to Rs.1042.51 crore in 2006-07. It increased by 192.64 per cent to Rs.3050.83 crore in 2007-08 and grew by an impressive 101.03 per cent to more than double to Rs.6133 crore in 2008-09. The revenues from single premiums have been on a consistently declining trend from 2006. The single premium which was Rs.451.35 crore in 2004-05 grew by 234 per cent to cross Rs.1507.5 crore in 2005-06, declined by 21.15 per cent to Rs.1188.6 crore in 2006-07. It fell by a further 36.51 per cent to Rs.754.67 crore in 2007-08 and by 36.52 percent to decline to Rs.479.04 crore in 2008-09.

4.1.5 Profitability and Market Share:

The life insurance venture between Bajaj Finserv and Germany’s Allianz achieved break even in 2008 - 09 with an operating profit of 450 million rupees and the company is ploughing back these profits for driving future growth. The company had a market share of 9.8 per cent, the second largest among private life insurance players next only to ICICI Prudential as on 31st March 2009.
4.1.6 Rating:

It has achieved iAAA rating, by ICRA Limited which indicates the highest claims-paying ability and a stable position in the market.

4.1.7 Distribution Network:

The company has a pan Indian presence with 1,150 branches. It has successfully used a hub-and-spoke distribution model to gain fast penetration across the country. Small towns and local recruits are the pillars of this distribution plan.

Bajaj Allianz currently has one of the largest distribution networks in the private sector with over 1,000 offices in over 900 towns and has over 2.5 lakh agents. It has tie-ups with leading banks like Standard Chartered Bank, Syndicate Bank and over 200 other different types of banks (co-operative banks, district co-op banks, rural banks etc), NGOs, SHGs (self-help groups) and financial institutions etc.

The company has rapidly expanded its distribution network. The company continues to create an agency network complemented by increased focus on non agency distribution. While the number of branches has increased by over 9 times from 306 in 2004-05 to 2,980, the number of advisors has increased from 47,000 to 3,30,000 during the corresponding period. The non agency share has grown from 19 per cent in 2004-05 to 31 per cent in 2008-09. Apart from its tied agency force, the company distributes its products through 415 corporate agents and its channel partners include: (i) Dhanalakshmi Bank, (ii) Placement Sales and Services Ltd., (iii) Team Life Care Co. (India) Ltd., (iv) Ernestine Consultants (Pvt) Ltd., (v) Cosmos Co-operative Bank Ltd.

4.1.8 Product Profile:

The company has 36 products catering to all strata of the society. Under its Unit Linked Insurance Plans, the products are Max Advantage Insurance Plan, iGain
II and Wealth Insurance Plan. Its Pension plans are Swarna Vishranthi, Pension Guarantee and Annuity. Under the Traditional insurance plans, the Endowment plans are Invest Gain, Save Care Economy SP, Life Time Care, Super Saver, Invest Plus and Invest Plus Premier. The Money Back Plan offered is Cash Gain. The Term Plans offered by the company are, Protector, Term Care and New Risk Care II. With regard to insurance products for women, the company’s products are, Bajaj Allianz Young Care II, Bajaj Allianz Family CareFirst and Bajaj Allianz Future Income Generator. The riders offered by the company are Bajaj Allianz Family Income Benefit, Bajaj Allianz Comprehensive Accident Protection Benefit, Bajaj Allianz Supplementary Death Benefit, Bajaj Allianz Critical Illness Benefit and Bajaj Allianz Hospital Cash Benefit.

4.1.9: Competitive Strategies:

(i) The marketing strategies of the company are focused on bringing the company closer to the target audience and help it to achieve its long term objectives. The communication package includes print advertisements, outdoor media campaigns and direct marketing methods. In order to improve market presence and grow, the company focusses on activities such as campaign management, lead management and case management in order to provide superior services to customers and build stronger relationships with them. As part of its innovative marketing strategies, apart from bringing out TV commercials and putting up hoarding and billboards, it has entered into a contract with Shoppers Stop. According to the contract, every Shoppers Stop outlet has an Allianz Bajaj kiosk during festive seasons that provides information about policies in order to attract customers. The objective is to try any kind of activity that would improve awareness about the company, its policies, generate leads and convert the same into customers.
(ii) In order to fine tune its marketing efforts the company has implemented a CRM system that has empowered the entire organisation for conducting business while meeting some rather specific requirements of the company. It enables the company to assess the success of certain marketing campaigns and allows the company to trace information regarding prospective customers. This system now automatically assigns leads to the correct sales person and gives an integrated view of customers.

(iii) The company pioneered the Bancassurance distribution model in India and today bancassurance is one of the core business strategies. It has developed a range of life insurance products exclusively for its Bancassurance partners. Also, products are customised to suit specific needs of banks.

(iv) The company has tied up with Thomas Cook (which is the best company and well known for its travel finance) to market its products thereby tapping one more interesting business avenue to take its products to the customers.

(v) Since a majority of insurance buying happens with the objective of saving tax, Bajaj Allianz has been conducting yearly ‘Tax Campaigns’. A van branded as tax emergency van travels across 30 cities to disseminate information on tax planning, equipped with all the resources for solving tax-related queries on the spot. This initiative enables the company to better reach target segments and convert prospects into customers. The intention is to reach out to as many people and create awareness about the urgency of tax planning through Bajaj Allianz policies.

(vi) The tax campaign is further supported by ‘Bajaj Allianz Super Agent on Air’, wherein the Super Agent provides advice on tax planning through radio. Experiences of people who have visited the van are also aired on radio, along with
updates on locations the van will be visiting. The customer service desk in the van also enables customers to renew lapsed policies.

(vii) Since retention of customers is as important as acquiring new customers, the company was a pioneer in setting up a separate Renewal Department in January 2008 with the specific objective of collecting renewal premiums from customers. As a result of its focus on collection of renewal premiums and preventing policy lapsation, among the other prominent life insurers such as ICICI Prudential, HDFC StandardLife and Birla SunLife, Bajaj Allianz has the highest rate of renewal premium of 80 percent for the period 2004-09.

(viii) In December 2008, Bajaj Allianz Life Insurance Company Limited had launched a ULIP SIP named “iGain” which is first of its kind in India. Bajaj Allianz iGain is the first unit linked insurance plan which can only be bought online. The customer does not only get insured, the investment also takes part in market instruments, giving greater returns as well. Buying online has a number of advantages which include convenience, higher allocation and lower charges. They have also created an excellent micro site www.buyigain.com from where the ULIP can be purchased. The site has a young trendy look and has calculators and demos to guide prospective customers. They also have an Igainer stories page where one can read a story uploaded by another customer or upload their own story.

(ix) To strengthen the brand positioning of “Safety”, Bajaj Allianz has created a humourous ad featuring actor Manoj Pahwa. The company had also launched a road show to take the ‘safety’ brand proposition to its target consumers. The road show is aimed at promoting five of the company’s insurance plans, while educating the masses on the need for safety and planning in advance for unforeseen
calamities. With the ad they have launched a micro site www.kungfupahwa.com which details the anecdotes during the making of the ad film.

(x) With the number of career women increasing, the demand for women specific insurance products has witnessed a significant increase. To capitalise the potential of this growing demand, Bajaj Allianz Life Insurance has actually set up a separate cell in January 2008 to cater to this niche market and focus on working women-centric products and strategies. The company is looking at deriving premia in the range of Rs. 7,700 crores from this segment by the end of March 20012.

(xi) In an effort to widen its business beyond the conventional verticals, Bajaj Allianz has taken the lead by reaching out to women through its association with the Femina Miss India 2009 pageant. Bajaj Allainz has launched a sub-brand - Miss Confident Plans - in association with the winners of the Pantaloons Femina Miss India 2009 pageant.

(xii) To capitalise on the growing popularity of online gaming among the youth segment, and to gain competitive advantage by targeting the growing disposable income among the youth, Bajaj Allianz has come up with an online game, Time Out, where people are encouraged to save early. The focus of the online game is to encourage youngsters to start planning early. Since the youth constitute the largest portion of the workforce and they have very high disposable incomes, the company has created a special package for the youth called Future Income Generator that gives income even after people retire. For as little as Rs. 1,000 p.m. invested by a 25-year-old in the Future Income Generator plan, he/she would get as much as Rs. 18,000 per month on retirement.
(xiii) The Turn Around Time (TAT) of claim settlement of the company is 7 days which is among the better turn around times in the industry. The low turn around time would provide positive word of mouth and ensure better goodwill for the brand.

(xiv) Due to its focus on the rural distribution network and bouquet of product tailored to the needs of the rural customers the company has been able to consistently improve the contribution of rural business from 17.02 per cent in 2004-05 to 31.21 per cent in 2008-09. Since the rural markets hold great potential because of the low penetration, the increase in the share of rural business augurs well for the future growth of the business.

(xv) Bajaj Allianz Life Insurance was the first private sector life insurance company to enter the non-urban markets with its own offices in 2004. It started the Bajaj Allianz Banyan Tree distribution model, a hub and spoke distribution strategy to enable penetration across the country, which is now being followed by most others to penetrate the non-urban areas. All the employees in these offices are local recruits and this helps create stronger confidence, trust and faith. This is a very low-cost model for India, which is easy to roll out and empowers the employees. It creates loyalty for the company as well.

(xvi) Taking into account the low premium capacity of the rural masses the company has designed the most economical term insurance policy with return of premium on maturity. The policy which has guaranteed surrender value and additional benefits including Accidental Death Benefit and Accidental Permanent Total/Partial Disability Benefits has the lowest cost among the term insurance plans. This focus on low cost premiums is set to drive the micro insurance business of the company still further and improve the share of rural business of the company which is already at a healthy 31 per cent as on end March 2009.
(xvii) As proof of the quality consciousness of the company it is one of the very few companies in the insurance space to have been awarded the ISO 27001 certificate for the management of information security for its IT department. The certification covers the IT infrastructure management, data warehousing management, data base administration, application development and maintenance.

4.1.10 Analysis of Case 1 (Bajaj Allianz Life Insurance Company Limited)

Bajaj Allianz does not have a bank to ride on and gets its business entirely from its 1,000-office retail network. By that measure, it has performed extremely well, generating operating profits of Rs. 45 crore on an income of Rs Rs 4,491.63 crore in FY09. By end-2010, the company hopes to add 50 more offices. Retail offices are the key to increasing premiums, which will in turn increase the assets under management (AUM).

As a result of its product and marketing strategies, Bajaj Allianz has strengthened itself as a brand and leads on key parameters in independent surveys. It has been declared the Most Preferred Private Sector Life Insurer in the CNBC Awaaz Consumer Awards 2007. The previous year Bajaj Allianz Life was not even among the top 5. It is among the top 50 service brands in the AC Nielsen Most Trusted Brands survey, one of the youngest brands in the list. The brand also had the highest recall among private sector life insurance companies in the CNBC TV18 and IIMS research. Bajaj Allianz has the most effective life insurance advertising as per an independent industry survey mapping all insurance company ads.

The company consistently improved its claims settlement ratio which stood at an appreciable 91.92 per cent for the year 2008-09.

The company has maintained a strong solvency position as revealed by its solvency ratio during the entire study period. Its solvency ratio which was 2.6 during
2004-05 improved to 2.8 in the subsequent year fell to 2.45 in 2006-07 and 2.34 in 2007-08 before strengthening to 2.62 in the year 2008-09. Maintenance of a strong solvency position is a source of comfort to the policy holders and investors since it indicates the company’s ability to meet its obligations.

Majority of the company’s unit linked insurance funds have been ranked as the best-performing funds in the Fast Funds category across various periods indicating prudent fund management and effective investment practices.

The share of rural business has increased consistently on a year on year basis to increase from 17.03 per cent in 2004-05 to 31.21 per cent in 2008-09. Considering the vast untapped potential of the rural markets and continuing focus of the company to widen its rural distribution channels, it is well poised to garner significant amount of business from the rural areas.

Though the company has improved its grievances pending percentage from 86.67 per cent in 2004-05 to 18.09 per cent in 2008-09, there is still room for improvement and efforts should be taken to further streamline the grievance redressal process to ensure timely settlement of grievances.

The company which derived a low 3.8 per cent of its business through bancassurance in 2004-05 recorded a further decline to 3.01 per cent in 2008-09. It is a matter of concern that year on year the share of bancassurance has recorded a decline. Considering that the persistency rate of the business generated through bancassurance is higher than the traditional channel, the very low share of business generated by the company through bancassurance indicates the need for improvement.

The proportion of linked business which was 85.95 per cent in 2004-05 has further increased to 93.44 per cent indicating growing risk of the business portfolio. Considering that lapsation and surrender rates of ULIP's are much higher when
compared to traditional plans, the company should try to reduce its reliance on ULIP's and promote traditional plans in order to ensure stability of premium incomes and lowering of risk profile.

The company had to fix its product portfolio twice, in 2006 and in early 2008, making it difficult to sell products with declining fee and commission structures. In January 2008, a whole host of problems had crept up in the company. First, the Insurance Regulatory and Development Authority (Irda) banned its bread and butter 'actuarial-funded' product because of its complicated fee structure and its inadequate explanation of the benefits of its investments that confused investors. Second, a chunk of its top management which had been with it since inception in 2001, resigned almost simultaneously and joined BAL's competitors, Reliance Capital and SBI Life, which have since built up sizeable market share and have eaten into BAL's share. Third, new business income (NBI) fell by 30 per cent by the end 2008-09 (FY09). After BAL opened more than 1,000 sales offices in just two years and had new business premium income of Rs 6,700 crore in 2008, its bottom line was badly hit when Irda banned the industry from using multi-level marketing techniques. The challenges seem immense: BAL has large accumulated losses, and the turnaround into profitability is taking longer than they and their joint-venture partners had anticipated. Though iGain, the first unit linked insurance plan which can only be bought online, has generated lot of investor interest in terms of 100 hits on an average, the conversion rate is low at 1 percent. Concerted efforts need to be taken to increase the conversion rate through online and offline promotions.

The company which has been predominantly focusing on below the line marketing efforts also needs to focus on above the line marketing in order to create
better awareness among the masses about its products and services and increase its sales.

The expenses of management of the company are on the higher side. The ratio which showed a decline in 2005-06, considerably increased in the two year period, 2006-08 and declined in 2008-09. The expenses of management ratio which was at 21 per cent in 2004-05 declined to 16 per cent in 2005-06 and then increased sharply to 38 per cent in 2006-07 fell marginally to 36 per cent in 2007-08 and then to 26 per cent in 2008-09. Even at the 2008-09 figure, the ratio is high. The management has to take steps to improve its cost efficiencies and bring down the ratio in order to tread the path of profitability. The operating expenses ratio of the company has declined from 20.2 per cent in 2004-05 to 17.65 per cent at 2008-09. The ratio declined to 15.53 per cent in 2005-06 as compared to 20.2 percent in the previous year, increased to 21.51 per cent in 2006-07 fell marginally to 20.61 in the next year and to 17.65 per cent in 2008-09. Even at the level in 2008-09, the operating expenses ratio is on the higher side. The company has to focus on cost control and cost reduction and exercise efficient monitoring of costs to further bring down the ratio.

The commission ratio of the company has reduced from 15 per cent in 2004-05 to 10 per cent in 2008-09 indicating better efficiencies of its distribution channel. The commission ratio which was at 15 per cent in 2004-05, declined to 11 per cent in the next year, increased sharply to 18 per cent in 2006-07, fell to 15 per cent in 2007-08 and then to 10 per cent in 2008-09. The company should try to maintain and explore the possibility of further reducing the ratio by reducing its dependence on the traditional agency channel and promotion of alternate channels.

The contribution of the rural business is at an appreciable 31.21 per cent in the year 2008-09 which is a considerable increase from the 16.4 per cent recorded in
2004-05. The rural contribution to the business has grown from 16.4 per cent in 2004-05 to 17.09 per cent in 2005-06, 20.77 per cent in 2006-07, 25.67 per cent in 2007-08 and to 31.21 per cent in 2008-09. The company can further explore increasing rural penetration by widening its rural distribution network and also increasing the number of micro insurance products in its portfolio.

The proportion of regular business of the company is at a high 89.33 per cent in 2008-09 indicating better stability and predictability of incomes which is a key strength in the insurance business. The proportion of regular business has increased sharply in the year 2006-07 to 72.24 per cent and has further strengthened to 88.69 per cent in 2007-08 and 89.93 per cent in 2008-09.

The market share of the company has shown a fluctuating trend and the drop in market share in the two year period 2007-09 is a cause for concern. The market share of the company which was 5.2 per cent in 2006-07, increased to 7.6 per cent in 2005-06, fell to 7 per cent in 2007-08 and to 5.2 per cent in 2008-09. With the entry of new competitors with innovative products and multiple distribution channels, the company has to improve its agility and competitive strength by increasing the range of products, widening of distribution channels and better cost management in order to remain competitive.

The New Business Premium (NBP) of the company which was growing at over 50 per cent during 2004-08, has declined by 32.73 per cent in 2008-09. Though the impact of the global recession was felt in the insurance industry in 2008-09, the company should ensure that the decline does not continue. It should improve its competitive marketing strategies to derive higher levels of new business. Widening of the product range, focus on micro insurance products and enhanced targeting of the youth and female segment can be considered.
The first year premiums which was growing at over 90 per cent in the four year period 2004-08, has declined by 32.22 per cent from Rs.5919.8 crore in 2007-08 to Rs.4012.39 crore in 2008-09. The decline in first year premiums should be stemmed by increasing the focus on innovative marketing strategies and brand building efforts. The company should explore the possibility of widening the product range as well as increase the rider options to better tailor products according to the needs of the target segments.

The single premiums of the company have been showing a consistent decline for the three year period 2006-09. Single premiums which touched a high of Rs.1507.50 crore in 2005-06 has declined by a high 68.22 per cent to fall to Rs.479.04 crore. This is a good development since most of the single premium plans offer guaranteed returns which might result in asset liability mismatches in the future.

The Gross Written Premium (GWP) of the company which was growing at over 70 per cent for the four year period 2004-08 slowed down to 9.24 per cent in 2008-09. The company should focus on acquiring higher levels of new business as well as renewal business in order to reverse the slow down and return to the high growth rates.

Compared to many private life insurers who have not earned operating profits since their inception, the company has done well to earn operating profits for two years, 2006-07 and 2008-09. The worrying factor however, is the inconsistency in earning profits as well as the huge amount of accumulated losses. The focus needs to be on acquiring higher levels of new business and better retention of existing business at lower cost in order to contain costs and enhance the chance of earning profits.

Though the Turn Around Time (TAT) of claim settlement of the company places it among the better companies in the industry, the fact remains that it had
achieved better TAT in the previous years. The TAT for the period 2005-2009 is at 7 days while the company had achieved 5 days of TAT during the two year period 2003-05. Since reduced period of claim settlement would enhance positive word of mouth and ensure a consumer friendly image for the company, it should improve the efficiency of its claims processes and try to further bring down its settlement period.

The policy holders’ liability to shareholder funds has increased from 475 per cent in 2004-05 to 2518 per cent in 2008-09. This indicates the need for capital infusion to reduce the risk profile of the company.

While most of the companies offer a wide range of premium payment options in order to enhance the ease and convenience of customers, the premium payment options offered by the company is limited to just four. In order to ensure customer convenience, the company should increase the range of premium payment options at the earliest. Apart from increasing customer goodwill, it may also serve to reduce the lapsation rates and increase the persistence of customers.

4.2 Case 2: Birla SunLife Insurance Company Limited

Established in 2000, Birla Sun Life Insurance Company Limited (BSLI) is a joint venture between the Aditya Birla Group, a well known and trusted name globally amongst Indian conglomerates and Sun Life Financial Inc, leading international financial services organisation from Canada. The local knowledge of the Aditya Birla Group combined with the domain expertise of Sun Life Financial Inc., offers a formidable protection for its customers’ future. With an experience of over 9 years, BSLI has contributed significantly to the growth and development of the life insurance industry in India and currently ranks amongst the top 5 private life insurance companies in the country. The company serves customers in the areas of life and health insurance.
Birla Sun Life Insurance Company Limited introduced Unit Linked Life Insurance Solutions in India. Within a short span of time it was able to establish itself as a leading player in the Private Life Insurance Industry. It has been innovative and come up with customer-centric products to provide safety and services. The company has web-enabled IT systems for better customer services and a strong distribution channel which is easily approachable. The company shows corporate governance and a high degree of transparency in all business practices.

Known for its innovation and creating industry benchmarks, BSLI has several firsts to its credit. It was the first Indian Insurance Company to introduce “Free Look Period” and the same was made mandatory by IRDA for all other life insurance companies. Additionally, BSLI pioneered the launch of Unit Linked Life Insurance plans amongst the private players in India. To establish credibility and further transparency, BSLI also enjoys the prestige to be the originator of the practice to disclose portfolio on monthly basis. These category development initiatives have helped BSLI be closer to its policy holders’ expectations, which gets further accentuated by the complete bouquet of insurance products (viz. pure term plan, life stage products, health plan and retirement plan) that the company offers. Add to this, the extensive reach through its network of 600 branches and 1,75,000 empanelled advisors. This impressive combination of domain expertise, product range, reach and ears on ground, helped BSLI cover more than 2 million lives since it commenced operations and establish a customer base spread across more than 1500 towns and cities in India. To ensure that the customers have an impeccable experience, BSLI has ensured that it has lowest outstanding claims ratio of 0.32% for FY 2008-09. Additionally, BSLI has the best Turn Around Time according to LOMA on all claims
Parameters. Such services are well supported by sound financials that the company has.

4.2.1 Profile of the Partners:

The Aditya Birla Group is in the league of Fortune 500 worldwide. It is anchored by an extraordinary force of 1,00,000 employees, belonging to 25 different nationalities. The group operates in 25 countries across six continents, truly India’s first multinational corporation. Aditya Birla Group through Aditya Birla Financial Services Group (ABFSG), has a strong presence across various financial services verticals that include life insurance, fund management, distribution & wealth management, security based lending, insurance broking, private equity and retail broking. The seven companies representing ABFSG are Birla Sun Life Insurance Company, Birla Sun Life Asset Management Company, Aditya Birla Money, Aditya Birla Finance, Birla Insurance Advisory & Broking Services, Aditya Birla Capital Advisors and Apollo Sindhoori Capital Investment. In the year 2009, the Group was ranked among the top six great places for leaders in the Asia-Pacific region, in a study conducted by Hewitt Associates, RBL Group and Fortune magazine. In India, the Group has been adjudged the best employer in India and among the top 20 in Asia by the Hewitt-Economic Times and Wall Street Journal Study 2007. In FY 2008-09, the consolidated revenues of ABFSG from these businesses crossed Rs. 4,763 crores, registering a growth rate of 36%.

Sun Life Financial is a leading international financial services organisation providing a diverse range of protection and wealth accumulation products and services to individuals and corporate customers. Chartered in 1865, Sun Life Financial and its partners today have operations in key markets worldwide, including Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines,
Japan, Indonesia, India, China and Bermuda. As of March 31, 2009, the Sun Life Financial group of companies had total assets under management of $381 billion.

4.2.3 Vision and Business Philosophy:

The vision of the company is, ‘To be a leader and role model in a broad based and integrated financial services business’. The business philosophy of the company is to being easily accessible to all target audiences, to be able to educate people about the true potential and benefits of life insurance.

4.2.4 Business Performance

The AUM of Birla Sun Life Insurance reached Rs. 8,000 crores and it has a robust capital base of over Rs. 2,000 crores as on March 31, 2009.

The Gross Written Premium (GWP) of the company has shown a consistent increase over the years. The GWP which was Rs.915.47 crore in 2004-05, rose to Rs.2,255.65 crore in 2005-06, Rs.1,766.17 crore in 2006-07, Rs.3,257.17 crore in 2007-08 and Rs.4,469.44 crore in 2008-09. The growth in total business reveals healthy trends with 138 per cent growth in 2004-05, 109 per cent in 2005-06, 130 per cent in 2006-07, 223 per cent in 2007-08 and 144 per cent in 2008-09. Renewal premiums increased appreciably from Rs.1,307.18 crore in 2007-08 to Rs.1,753.68 crore in 2008-09. The first year premium of the company has shown a consistent increase over the five year period 2004-09 with substantial increases in the years 2007-08 and 2008-09. The first year premium which was Rs.593.32 crore in 2004-05 increased to Rs.640.60 crore in 2005-06, Rs.832.31 crore in 2006-07 and more than doubled to Rs.1,926.04 crore in 2007-08 and to Rs.2,765.17 crore in 2008-09. Revenues from single premium plans which showed a consistent increase from 2004-07, declined in the year 2007-08 and increased in 2008-09. Single premium income which was Rs.27.99 crore in 2004-05 increased to Rs.37.51 crore in 2005-06, Rs.50.41 crore in 2006-07. It declined to
Rs.38.97 crore in 2007-08 and then increased to Rs.58.74 crore in 2008-09. Renewal premiums of the company show a consistently increasing trend. Renewal premiums which were Rs.294.16 crore in 2004-05 nearly doubled to Rs.581.56 crore in 2005-06, increased to Rs.893.98 crore in 2006-07, Rs.1307.18 crore in 2007-08 and to Rs.1753.68 crore in 2008-09.

The Embedded Value (EV) of BSLI at Rs.3,816 crore as on 31 March 2009, grew year on year by 25%. EV reflects the value of future profits embedded in the in-force policies written by the life insurance company. The Value of New Business (VNB) margin, a measure used for gauging the profitability of new business stood at 22.5% for FY 2008-09 vis-a-vis 20.3% in FY2007-08.

4.2.5 Profitability and Market Share:

The losses of the company increased by 57 per cent to Rs.686 crore in the year 2008-09 as compared to Rs.437 crore incurred in the previous year. As of end March 2009, BSLI commands 8.1 per cent market share amongst private players.

4.2.6 Distribution Network:

The company has an extensive distribution network of 600 branches and 1,75,000 empanelled advisors. The company which was operating from 38 locations as on end March 2005, has consistently widened its presence year on year to 46, 65, 90 and 180 locations as on end March 2009. The number of branches have increased manifold and the number of advisors have increased from 9,400 in the year to 1,75,000 as on March 2009. This widening of distribution channel has helped BSLI cover more than 2 million lives since it commenced operations and establish a customer base spread across more than 1500 towns and cities in India. The non agency share has improved appreciably from 13 per cent of total business in the year 2005 to 28 per cent in the year 2008-09.
4.2.7: Competitive Strategies:

(i) BSLI is the first Indian multinational insurance company which came up with the idea of Business Continuity Plan and Disaster Recovery (DR) in order to provide uninterrupted service to customers whatever be the eventuality. All elements of Business Continuity including crisis management, pandemic planning, and DR come under the purview of Business Continuity Management (BCM) system. Different areas in the BCM including strategy formulation, risk assessment/analysis, reporting and communication come under the purview of core team formulated for implementing BCM system. Continuous management review is carried out for constantly identifying the weaker areas and strengthening the BCM system. Executive and management involvement also exists in different reporting and communication channels through various recovery teams that have been set-up under BCM system at the company.

(ii) In the life insurance industry, claims settlement is a very important parameter for service performance. As a customer centric organisation the company has brought in place, the best claims settlement process with standards equivalent to the best international standards. In a benchmarking study done by consultants, BSLI fared way ahead of competition on Claims Servicing Productivity. Its ‘Outstanding Claims Ratio’ is the lowest in the life insurance industry in India. In fact there has been a continuous improvement in its performance on the parameter of ‘Outstanding Claims Ratio’ for 4 consecutive years in a row. For the Financial Year 2006–07 it has achieved the distinction of being the only life insurance company to have achieved an Outstanding Claims Ratio of less than 1% and has achieved Outstanding Claims ratio of just 0.41%. It is quite noteworthy that BSLI has calculated the above ratio taking
into account only Death (Mortality) & Rider (Morbidity) claims and has not included Maturity/ Surrender Claims in the calculation of the ‘Outstanding Claims Ratio’.

(iii) The company has made the claims process simple and specific to ensure that all legitimate claims are processed as soon as possible. The claim settlement period of four days is the lowest in the industry. The company continues to reinforce the faith amongst the Public & the insured population through its ‘Customer first approach’. The company has one of the least number of claim litigation amongst all insurance companies and of the claim litigations decided by the authorities most of them have been in the company’s favour which augurs well for its customers and the company.

(iv) It was the first company to launch an e-commerce portal for buying insurance, the company has further enhanced its web presence by strengthening its portal with enhanced transactional capabilities. To provide service to an existing customer, a number of features have been incorporated which would help one to track his policy online. For agents, facilities such as the details of all customers, e-mail and SMS alert for licence renewal as well as status of any policy of their customers, medical facility locators and training modules are available online.

(v) BSLI was the pioneer in bancassurance and the first bancassurance policy was issued by the company. It has one of the largest number of bank tie-ups in the life insurance industry. Seven of the most prominent banks in India sell BSLI’s plans from more than 300 locations and bancassurance accounts for 27 per cent of policies sold.

(vi) BSLI has entered into a strategic alliance with another group company, Idea Cellular. Any Idea subscriber between 18 to 35 years of age who downloads a popular dialler tone that costs about Rs. 20 from Idea Zindagi portal gets one-year life
insurance coverage for Rs 10,000 free. This alliance has been initiated through the launch of the Group Term Insurance Cover where both pre and post-paid subscribers between 18 years and 35 years get free life insurance wherein accidental death gets coverage for one year.

(vii) The company has entered into strategic partnerships with other group companies such as Hindalco, Indo-Gulf Fertilisers, among others, to open up new markets, leveraging the infrastructure created over the years.

(viii) It has tied up with regional rural banks and primary agriculture cooperative credit societies to market its products in the rural hinterland. The company has appointed Village Extension Workers (VEWs) who would help create awareness about insurance in villages. These VEWs are from social empowerment projects promoted by the Aditya Birla Group companies. Each VEW was put in charge of a cluster of 10 to 15 villages. Aided by these tie ups and attractive micro insurance products, the company, has not only met the mandatory 15 per cent exposure in the rural market but has crossed the 20 per cent mark consistently in the past four years.

(ix) Due to its focus and expertise in marketing to the rural masses the company has been selected to partner with U.K.-based GY Associated Ltd. to promote a sustainable livelihood program in the three Indian states of Bihar, Uttar Pradesh and Madhya Pradesh by offering micro insurance solutions to more than 1,00,000 people. The development project, valued at 4.6 million pound (US$6.4 million), has been funded by the UK government’s Department for International Development and initiated by the UK based Research Into Use project. This initiative is expected to further strengthen the retail business and strengthen its competitive advantage.
(x) Birla Sun Life sponsors events in a major way, to attract prospective customers. The company sponsors plays to which corporate agents were invited. Sponsoring plays and events gives the company good mileage, helps to gain better visibility and enables building a strong relationship with the corporate agents.

(xi) Birla Sun Life Insurance has kicked off a slew of online initiatives to woo Netizens. It has set up a mother portal and a call center to serve as a ‘shared service platform’ for the four Birla Sun companies. For effective online marketing of insurance plans, the company has tied up with a host of portals including, Myiris.com, Indiainfoline and ICICI Direct. The focus now extends to e-CRM initiatives with new online initiatives, like call centre and mother portal.

(xii) The company focusses on ‘integrated marketing plans’ to highlight the merits of its products and services. And the company’s marketing strategy includes, mass media advertising, web initiatives and direct marketing techniques.

(xiii) Technology has been an integral part of the company’s competitive strategy. Its IT systems are geared to support both the primary customers (policy holders) and secondary customers (agents). It has a very popular customer portal where policy holders can view details of their policy and also pay renewal premiums through credit cards. The web is also used to provide training to sales staff. The company has an annual IT budget of 1 to 2% of annual premium and has in-house core systems such as the JAD (Joint Application Development) and Time Boxes that help deliver new products quickly into the market place. The system can issue 50,000 policies a day. The IT system also helps generate various reports and analysis on a daily basis to support decision making.

(xiv) Operational efficiency is a challenge in the insurance business and keeping a firm grip on costs becomes crucial. To improve its operational efficiencies
in order to provide enhanced customer satisfaction, the company has invested in Oracle Applications such as Oracle E-Business Suite Financials, Oracle PeopleSoft Human Capital Management and Oracle Siebel CRM. This suite of Applications is helping the company to squeeze productivity from existing resources through better management of performance and investment in process standardisation/automation.

(xv) The company has created ads, positioning products from a customer perspective. It has signed on cricketers Virender Sehwag, Yuvraj Singh, Suresh Raina and Rohit Sharma to endorse its wealth-protection solutions. It is a popular belief that wealth and fame cannot buy peace of mind. However, if not looked after, wealth could prove to be no less than a nuisance. Birla Sun Life Insurance has, through a recent campaign, depicted that having wealth is no guarantee that uncertainty will not get the better of oneself, for which one needs to play safe in advance. It has the tagline, ‘Jab tak balla chal raha hai, thaat chal raha hai, Warna...’ (Till the bat rules, you rule. Or else...). The striking aspect of this commercial is how cricketers are projected as ordinary human beings complete with fears and insecurities. Filmed in documentary style using multiple cameras, the ad shows Virendra Sehwag and Yuvraj Singh stating the highs and lows of their careers. The two men appear candid, especially Sehwag who makes his fears visible on screen. The punchline - ‘Jab Tak Balla Chalta hain, thaat chalte hain, jis din yeh rukh gaya tab...’ drives home the point neatly. The idea was to leverage the short shelf life of a cricketer which is glamorous when at its peak and difficult when low. This short shelf life in a sense was the premise on which Birla Sun Life’s wealth plan was presented. It worked well and has enabled the company to improve brand awareness and top of the mind recall.

(xvi) In order to increase brand awareness, improve brand recognition and enhance brand recall, the company is using bill board clusters as important media for
advertising. The strategy of placing these bill boards in a cluster form in important landmarks and busy intersections, has enabled the company to generate high eye ball share. This also provides a means for the company to break away from the clutter.

(xvii) With micro insurance being considered to the most important sector to drive market share, the company has launched 3 products in the micro insurance space, Bima Dhan Sanchay, Bima Suraksha Super and Bima Kavach. Among the products that are available in the micro insurance space, Bima Kavach is the only product in which premium can be paid once in three years time, providing unmatched flexibility and ease of payment to the policy holders. Further it is the only product that offers 100 times the premium paid in case of demise of the policy holder during the policy term.

(xviii) With riders being an important factor influencing the consumer’s choice of policies, the company provides a range of rider options

(xix) To ensure customer convenience, the company offers 11 modes of premium payment options. They include payment through Net Banking, ECS, Direct Debit, NEFT, Easy Bill Payment Option, Credit card, Bill Junction and Bill Desk, Suvidha Outlets and through Skypak Drop Boxes. The wide range of payment options enhance the flexibility availability to the customers and also ensure better renewal premiums to the company.

(xx) The company has seven banking partners and the insurance product is sold through 1,000 branches. Incidentally, the first bancassurance policy in India was sold by Birla SunLife. With the revenues from alternate channels showing a consistent increase, the firm is well positioned to benefit from the growth of bancassurance.
4.2.8 Analysis of Case 2 (Birla SunLife Insurance Company Limited)

The company has the best claim settlements ratio and is ranked number one among all the insurers operating in the company. This would further enhance customer trust and build goodwill and brand loyalty.

The solvency margin of the company has grown consistently from 1.87 in 2004-05 to 2.44 in 2008-09 indicating improved strength to meet its commitments and face any exigencies.

The proportion of regular premium in the first year premium has been consistently maintained at over 90 per cent during the entire study period indicating better stability of premium incomes. The proportion of regular premium which was 95.47 per cent in 2004-05 has increased appreciably to 97.92 per cent in the year 2008-09.

The commission ratio of the company has declined from 14 per cent in 2004-05 to 11 per cent in 2008-09 indicating better expense management. The commission ratio which was 14 per cent in 2004-05 marginally declined to 13 per cent in 2005-06, 11 per cent in 2006-07, 10 per cent in 2007-08 and was at 11 per cent in 2008-09.

The total business of the company has grown at a consistent rate of over 100 per cent. The growth in total business was 138 per cent in 2004-05, 109 per cent in 2005-06, 130 per cent in 2006-07, 223 per cent in 2007-08 and 144 per cent in 2008-09. In the year 2007-08, the company was ranked as the fastest growing insurance company and considering the slew of product launches and ramping up of marketing spends, the high growth rate is set to continue in the future.

BSLI has one of the largest number of bank tie-ups in the life insurance industry. Seven of the most prominent banks in India sell BSLI’s plans from more than 300 locations. Considering that the cost of business procured through alternate
channels is lower than that of the traditional agency channel and the better persistency of the business, the company is set to reap rich rewards.

The Turn Around Time (TAT) in respect of claims settlement is one of the lowest in the industry. This low turnaround time is set to drive customer patronage, increase positive word of mouth and generate increased business for the company. The company has consistently been the top performer in terms of claims settlement from 2003-04 to 2008-09. The ratio of outstanding claims has shown a consistent decrease from 3.14 in 2003-04, 2.52 in 2004-05, 1.72 in 2005-06, 0.41 in 2006-07 and 0.32 in 2008-09. This shows the efficiency of its claims settlement process as well as the commitment of the company towards honouring its commitments. This positive feature is sure to increase goodwill and improve customer patronage.

The company’s tie ups with 11 co-operative banks and 97 NGO’s enables it to reach 6,839 villages across 15 states. With its range of micro insurance products and strong rural distribution reach, the company is set to become a significant player in the rural markets.

The number of customers with an annual income of less than Rs.1 lakh has increased from 25 per cent in 2004-05 to 33 per cent in 2008-09. This indicates the increased penetration of the company’s products in Tier II and Tier III towns. The success of the company’s products targeted at the women segment can be gauged from the fact that the number of female policy holders increased by over 5 times in the last 3 years. The company’s products aimed at the higher age groups have been successful in attracting new customers. In the three year period (2006 – 2009), there has been a 28 per cent increase in the customer base of those who are aged 45 years and above.
Apart from the wide range of payment options that it offers to its customers, it is one of the very few companies that offer the cheque pick up facility to customers. This unique facility apart from increasing the ease of payment also ensures better renewal premiums and increased customer patronage.

As an insurance provider, the company has not only met its social sector obligations, which specify the mandatory 15 per cent exposure in the rural market but has consistently crossed the 20 per cent mark. This has resulted in a large subscriber base and with the continued thrust on rural markets through widening of distribution channels and introduction of low premium products, business from the rural segment is set to further increase.

The company's strategy of using cricketers as brand ambassadors starting from Kapil Dev to the present Virendra Sehwag and Yuvraj has enabled the brand to connect well with the youth segment and generated better awareness and brand recall. The proportion of premium received from the bancassurance channel has shown a fluctuating trend over the five year period (2004-09). The contribution from the bancassurance channel which was 40.12 per cent of the total premiums collected in 2004-05, increased to 44.84 per cent in 2005-06 and then declined year on year to 33.36, 27.98 and 21.19 per cent in 2008-09. Since the cost of the bancassurance channel is comparatively lesser than the traditional channel and considering that the persistence ratio of the bancassurance channel is higher, the decline in contribution is cause for concern. The company should take steps to explore the possibility of increasing the number of bancassurance partners and also try to motivate the current partners for better business.

The company's market share has shown a considerable decline. The company which was in the second position among private life insurance companies for the three
year period 2002-05, fell to fourth position in 2005-06, eighth position in 2006-07 and a slight improvement to the seventh position in 2007-08 and the same position in 2008-09. Though the advent of several new players has been one of the prime reasons for the decline in the company’s position, the onslaught of competition is set to further increase with the expected relaxation in FDI norms. Therefore the company has to improve its competitive position by going in for better product mix, innovative advertising, strengthening and deepening of distribution channels and further driving its rural penetration.

The operating expenses ratio of the company has increased from 19.38 per cent in 2004-05 to 25.04 per cent in 2008-09. The operating expenses ratio which was 19.38 per cent in 2004-05 remained almost at the same level in 2005-06, increased to 21.16 per cent in 2006-07, slightly declined to 20.5 per cent in 2007-08 and increased steeply to 25.04 per cent. The increase in operating expenses ratio indicates the need for better expenses management and close monitoring and control over costs. The company has to ensure reduction of operating costs in order to improve its cost competitiveness.

The conservation ratio of the company which was 76 per cent in 2004-05 was at 78 per cent in 2008-09. The ratio improved in the period 2005-08 at 81 per cent in 2005-06, 82 per cent in 2006-07 and 82 per cent in 2007-08. The company should take steps to further improve the conservation ratio by focusing on retaining customers and improving the repeat business. The persistence ratio of the company has shown a consistent decline over the years, which is a cause for concern. The ratio which was 93.3 per cent in 2005-06 declined to 92.6 per cent in 2006-07, 85.9 per cent in 2005-06 and to 78.3 per cent in 2008-09. Since the cost of retaining business is
significantly lower than the cost of acquiring new business the company should try to improve the persistence ratio by launching revival campaigns for lapsed policies.

The ratio of policy holders liabilities to share holders funds has nearly doubled from 1141 per cent in 2004-05 to 2110 per cent in 2008-09. The ratio increased from 1141 per cent in 2004-05 to 1533 per cent in 2005-06, 1631 per cent in 2006-07, 1886 per cent in 2007-08 and to 2110 per cent in 2008-09. The company needs to go infuse additional capital in order to reduce the ratio of policy holders liabilities to share holders funds in order to reduce the risk profile of the company.

4.3: Case 3: HDFC StandardLife Insurance Company Limited

HDFC Standard Life, one of India’s leading private life insurance companies, offers a range of individual and group insurance solutions. It is a joint venture between Housing Development Finance Corporation Limited (HDFC), India’s leading housing finance institution and Standard Life plc, the leading provider of financial services in the United Kingdom. The company came into existence on 14th August 2000. It was the first company to be granted certificate of registration by the IRDA on the 23rd of October 2000 and the first to issue a policy on December 12, 2000. It is the fourth largest private insurer in terms of first year premium and the capital of the company as on March 31 2009 was Rs.1,795.82 crores.

The brand has managed to set a new standard in the Indian life insurance communication space. It was the first private life insurer to break the ice using the idea of self-respect instead of ‘death’ to convey its brand proposition of leading life with Dignity, Pride and Self Respect with its, ‘Sar Utha Ke Jiyo’ campaign. Today, it is one of the few brands that customers recognise, like and prefer to do business. Moreover, the brand thought, ‘Sar Utha Ke Jiyo’, is the most recalled campaign in its category.
4.3.1 Profile of the Partners:

HDFC Limited is India's premier housing finance institution. It has assisted more than 3.4 million families own a home, since its inception in 1977 across 2400 cities and towns through its network of over 271 offices. As of March 2009, the total asset size has crossed more than Rs. 1 lakh crores including the mortgage loan assets of more than Rs.87,400 crores. The corporation has a deposit base of over Rs. 23,000 crores, earning the trust of nearly one million depositors. Customer Service and satisfaction has been the mainstay of the organisation. HDFC has set benchmarks for the Indian housing finance industry. The World Bank has lauded HDFC as a model housing finance company for the developing countries.

Standard Life is one of UK's leading long term savings and investment companies headquartered in Edinburgh and operating internationally. Established in 1825, Standard Life provides life assurance and pensions, investment management and healthcare insurance products to over 6 million customers worldwide. The Group has around 10,000 employees across UK, Canada, Ireland, Germany, Austria, India, USA, Hong Kong and China. At the end of March 2009 the Group had total assets under administration of £160.1bn. Standard Life's diverse business includes one of the largest life and pensions businesses in the UK with more than 4 million customers.

4.3.2 Vision and Business Philosophy:

The vision of the company is to be the most successful and admired life insurance company, the most trusted company, the easiest to deal with, offering the best value for money, and setting standards in the industry. The values of the company are: Integrity, Innovation, Customer centric, People Care, Team work, Joy and Simplicity. The core values are drilled down to all levels of employees, as these are inviolable. The company continues to promote high integrity in business practices
and shuns short cuts and unethical practices, as it aims to be perceived as an institution with high moral standing. The company aims to provide innovative products to cater to varied needs of distinct customer segments, ensure customer service of the highest order, leverage technology to improve service standards, create better value for customers, increase market share and drive professionalism in all areas of the business.

4.3.3 Business performance:

The total premium income at Rs. 5,564.69 crores in 2008-09 represents year on year growth of 15% as against Rs. 4,858.56 crores in FY2007-08. Renewal premium collected increased to Rs. 2,913.58 crores from Rs. 2,173.19 crores in the previous year, registering a growth of 34%. Effective Premium Income (EPI) in respect of retail business increased by 5%, growing from Rs 2,425 crores in 2007-08 to 2,552 crores in 2008-09. Total assets under management increased to Rs. 10,595 crores, registering growth of 24% over FY 2007-08. Assets under management for the Group business have increased to Rs. 1,075 crores, registering a growth of 12% over FY2007-08.

The Gross Written Premium (GWP) for the period 2004-09 have been, Rs.686.63 crore for 2004-05, Rs.1,569.91 crore in 2005-06, Rs.2,855.86 crore in 2006-07, Rs.4,858.56 crore in 2007-08 and Rs.5,564.69 crore in 2008-09. The increase in GWP has been 94 per cent in 2004-05, 128.64 per cent in 2005-06, 81.91 per cent in 2006-07, 70.13 per cent in 2007-08 and 14.53 per cent in 2008-09. The First Year Premiums have grown appreciably over the four year period 2004-08 before slowing down in 2008-09. The first year premium which was Rs.382.06 crore in 2004-05 grew by 116.06 per cent to Rs.825.47 crore in the next year, increased by 59.48 per cent to Rs.1316.44 crore in 2006-07, rose by 73.22 per cent to Rs.2280.40
crore in 2007-08 and by a low 2.45 per cent to Rs.2336.36 crore in 2008-09. Renewal premiums have grown at significant levels in the study period. Renewal premium which was Rs.200.48 crore in 2004-05 grew by 163 per cent to Rs.527.26 crore in 2005-06, rose by 128.92 per cent to Rs.1207.01 crore in 2006-07, increased by 80.05 crore to Rs.2173.19 crore in 2007-08 and grew by 34.11 per cent to Rs.2913.58 crore in 2008-09. The growth in single premiums has been showing a decreasing trend in the study period. Single premiums which grew by 124.53 per cent to Rs.104.09 crore in 2004-05 increased by 108.64 per cent to Rs.217.17 crore in 2005-06, grew by 53.07 per cent to Rs.332.41 crore in 2006-07, rose by 21.83 per cent to Rs.404.97 crore in 2007-08. In 2008-09, revenues from single premium declined by 22.28 per cent to Rs.314.75 crore. It is one of the few companies to declare its Embedded Value (EV) which was Rs.2,580 crore for the year 2008-09.

4.3.4 Profitability:

The company is yet to turn profitable and the loss incurred in the year 2008-09 at Rs.503 crore was more than double the loss incurred in the previous year which was at Rs.244 crore. The company incurred a loss of Rs.89.73 crore in 2004-05, Rs.128.75 crore in 2005-06 and Rs.125.56 crore in 2006-07. The accumulated losses of the company as at end March 2009 was Rs.1,191.31 crores.

4.3.5 Market Share:

The company had a market share of 7 per cent, the fourth largest among private life insurance players as on 31st March 2009. The company has been among the top four private life insurers for the period 2002-03 to 2008-09. During 2004-05, the company was ranked fourth among the private life insurers based on retail weighted premium, it was ranked third during 2005-06, fourth during 2006-07, third during 2007-08 and second during 2008-09. The company’s retail market share based
on weighted new business premium for individual business was 7.8 per cent during 2004-05, 7.2 per cent during 2005-06, 8.6 per cent during 2006-07, 4.3 per cent during 2007-08 and 7 per cent during 2008-09.

4.3.6: Rating:

HDFC StandardLife was the first Indian life insurance company to receive the National Insurer Financial Strength rating of AAA(Ind) from Fitch ratings. Crisil, ICRA, Moody's and Standard and Poors have given AAA Ratings indicating high claims paying ability and a stable position in the market.

4.3.7: Distribution Network:

The company has one of the widest reaches among insurance companies with more than 2,100 branches including 1,116 micro offices servicing customer needs in over 730 cities and towns. The company has a strong presence in its existing markets with a base of more than 2,90,000 financial advisors and 18 bancassurance partners. In order to balance growth with profitability, the insurer is also using a hub and spoke approach to branches, wherein instead of setting up a full-fledged branch the company is sharing premises with smaller firms or chartered accountants on a rental basis. Only when a spoke achieves a certain level of business it is converted into a branch. Currently there are 125 locations that are spokes. The company distributes its products through 415 corporate agents and its channel partners include HDFC Bank, Indian Bank, Saraswat Bank, Union Bank of India and Bank of Baroda. In 2008-09, around 47 per cent of the fresh business came from bancassurance as compared to 38 per cent in 2007-08.

4.3.8: Product Profile:

The company offers 26 products under the four categories of Protection plans, Children's plans, Retirement plans, Savings and Investment plans and Health plans.
The Protection plans are HDFC Term Assurance Plan, HDFC Premium Guarantee Plan, HDFC Loan Cover Term Assurance Plan, HDFC Home Loan Protection Plan. Its Children’s Plans are HDFC Young Super Star II and HDFC Children’s Plan. The Retirement plans offered by the company are HDFC Personal Pension Plan and HDFC Immediate Annuity. The savings and investment plans of the company include HDFC SL Crest, HDFC Pro Growth Super II, HDFC Endowment Assurance Plan, HDFC SL New Money Back Plan, HDFC Money Back Plan, HDFC Single Premium Whole Life Insurance Plan, HDFC Assurance Plan and HDFC Savings Assurance Plan. The health plans offered by the company are HDFC Critical Care Plan and HDFC Surgicare Plan.

4.3.9: Competitive Strategies:

(i) Despite the criticality of life insurance, sales in the industry have been characterised by over reliance on tax benefits and limited advice-based selling. In complete departure from the way insurance is bought and sold in India, the company has pioneered an eight-step structured sales process termed, ‘Disha’. The process helps customers understand their latent needs at the first instance itself without focusing on product features or tax benefits. The Need-based selling process, ‘Disha’, enables customers see a financial plan and not just piecemeal product selling, thus increasing customer reliance and goodwill. Since customers buy products according to their needs and not due to the hard sell of the agents, it reduces the risk of lapsation and ensures increased customer patronage.

(ii) HDFC Standard Life has fully implemented a risk control framework to ensure that all types of risks (not just financial) are identified and measured. These are regularly reported to the board and this ensures that the company management and
board members are fully aware of any risks and the actions taken to ensure they are mitigated. This ensures protection of investor funds and enhances customer trust.

(iii) Training is an integral part of the business strategy. Almost all employees have undergone training to enhance their technical skills and the softer behavioural skills to be able to deliver the service standards that the company has set for itself. Besides the mandatory training that Financial Consultants have to undergo prior to being licensed, the company has developed and implemented various training modules covering various aspects including product knowledge, selling skills, objection handling skills and so on. Towards improving the quality of training imparted, the company started an in-house training facility to cater to the mandatory training required to be given as well as for other sales training requirements. The company has received accreditation from the Insurance Regulatory and Development Authority (IRDA) for 149 training centers housed in its branches.

(iv) To ensure ready and continuous access to quality manpower, HDFC Standard Life has launched a three-month insurance and management programme in collaboration with Manipal Education to select, train, and groom talent from across the country.

(v) As part of its online marketing strategy, the company has launched an online buying channel. Customers can now buy the three policies, Young Star Super Suvidha, Pension Super, and Endowment Super Suvidha online. The company plans to sell pure protection and single premium products through this channel.

(vi) HDFC Standard Life has revamped its corporate website (www.hdfcinsurance.com) in line with its communication philosophy. The new improved, interactive, and user-friendly website is in sync with its need-based
communication strategy of helping individuals through their decision of selecting the right life insurance plans that fit their needs.

(vii) With a view to ensure customer delight across multiple touch points, the company has redsigned its website to provide an enhanced user experience through simple navigation, faster access, rich content, and enhanced utility as a service delivery tool. The objective of the new website is to educate customer's right from the process of identifying needs, to the final process of selecting the plan that fits their needs. The website features a knowledge section designed to help a customer understand life insurance and its importance in his/her portfolio. Through different topics related to insurance and personal finance, this section provides tips to customers to choose the right policy according to their premium paying capacity, risk appetite and risk profile.

(viii) The company has successfully differentiated itself through memorable and innovative brand and product campaigns and has set benchmarks in insurance promotion and consumer communication. It is the second largest spender on advertisements for the last five years next only to the market leader LIC and is the largest spender on advertisements among the private life insurers. For the year 2008-09 the company's spending was around 12 per cent of the insurance sector's television ad pie. To promote its pension plans, it has created and nurtured the campaign 'Sar Utha Ke Jiyo' (Live with Self Respect), a unique emotion close to the heart of every Indian, for several years. It has successfully leveraged the brand recall of the campaign to target other market segments. Next was the communication for HDFCSL's children's plans. The company came up with the "Dependable Papa idea," which was based around the insight that whatever the child's need may be, she can depend on her father to provide for her. For its youth segment campaign, HDFCSL targeted young adults
with the insight, "Now that I'm earning, I take pride in sharing my parents' responsibilities". This led to the 'Pride in independence and sharing responsibilities' idea. Due to the success of these communications, HDFC Standard Life continues to enjoy very high brand equity amongst the consumers. The brand awareness and consideration score is one of the highest in the private life insurance space.

(ix) In an effort to break clutter as well as reinforce its 'Sar Utha Ke Jiyo' positioning, HDFC Standard Life (HDFC SL) has launched a music video promoting and propagating the values of self-respect and self-reliance. The insurance company, which has been running a campaign centred on these themes for the last four years, hit upon this idea as music will bring its target segment of 25 to 45 year olds emotionally closer to the brand message. The company had tried to integrate and recreate some moments from the ad campaign reflecting people's desire to retain their self-respect, self-reliance and live their life without making compromises over the years in the video.

(x) The company has been instrumental in reinforcing and promoting the core value of self-respect in all its communication campaigns through diverse mediums. A recent instance is its sponsorship of the play, 'Arcus', since the theme of 'Arcus' relates to its brand value of 'Sar Utha Ke Jiyo'. The brand essence has been reflected very well in the play, portrayed by the main character 'Arcus', thereby creating an intrinsic brand fit between 'Arcus' and HDFC StandardLife. 'Arcus' premiered on October 11, 2008 at Mumbai's Tata Theatre and has been followed by 20 shows in Mumbai alone. It has been staged across the country in the first quarter of next year (about 50-100 shows) and by the end of 2009, there are plans to convert it to film.
(xi) With children's plans being a focus area, the company has leveraged the potential of sponsorships to better connect with its target audience. It sponsors, 'HDFC Standard Life Spell Bee - India Spells 2010', the Indian counterpart of the highly acclaimed Spell Bee, USA. Spell Bee 2010 is a unique and scholarly education series in a fun-filled quiz format and the last season of Spell Bee, 'India Spells 2009' received an overwhelming response from students, parents and teachers from over 650 schools across 11 cities. The second season is being conducted on a bigger platform, inviting participants from around 2,000 schools across 12 cities (Delhi, Lucknow, Chandigarh, Jaipur, Kolkata, Mumbai, Pune, Ahmedabad, Bengaluru, Kochi, Hyderabad, and Chennai) and students of 6th, 7th, 8th, 9th grades to participate. Keeping in mind the resounding success of Spell Bee in Delhi last year, the second season of Spell Bee has sought participation from 2000 schools, as compared to 700 schools last year. Students can experience the elation and excitement of the competition and hone their spelling skills by watching the excerpts of the event on National Geographic Channel. The company has also sponsored the TimesGuru painting competition for school children in association with Times of India which has also enabled the company to reach its target segment in an effective manner.

(xii) The company has from the beginning focused on 360 degree marketing efforts. Its advertisements form part of a whole integrated campaign, comprising television, radio, print, outdoor, cinema, mobile and the Internet. Internet campaigns have already resulted in an appreciable response rate. On-ground activities, such as innovative programmes to appeal to parents, young adults and corporations, are also a part of the plan. For instance, the company introduced the Art of Parenting initiative, as also the Young Saver one, in which children in 10,000 schools were encouraged to save money, thereby making parents understand that they need to do the same. Fitness
activities in corporations, yoga@work and other such initiatives complement the effort.

(xiii) The company has associated with the Rajasthan Royals, for the second season of the Indian Premier League, as Associate Sponsor and Insurance Partner and the brand logo appears on the back of the team jersey. The company has also undertaken various promotional activities involving the team’s players. This has further boosted the brand visibility and recognition. The motivational program in which some of the key players of the team delivered motivational talks to the employees of the company has also been a huge success among the employees.

(xiv) To increase coverage in rural areas, the company has tied up with NGO’s that were involved with HDFC’s housing schemes in rural areas. It has strengthened its relations with over 90 NGO’s.

(xv) It is one of the very few companies to give a welcome call to its customers. The ‘Welcome Call’ is aimed at achieving multiple purposes. It makes the customer feel good that they were acknowledged beyond the marketing spiel. It verified customer contact details, checked if the policy was delivered. The tele-caller also ran through the policy details and the investment choice made. The customer is asked if there are any questions or doubts on policy details. The customer is also urged to read the policy in order to clear any possibility of future misunderstanding. The simple call creates a win-win situation for the insurer. It has enabled the company to reinforce its image of being customer friendly and caring.

(xvi) In order to maintain consistent quality in terms of people, processes and systems with the scaling up of the company, the company has implemented ATLAS - Agency Training Licensing and Servicing System. The system has enabled the company to align the recruitment, training, examination & Licensing of Financial
Consultants and thus improve response rate efficiencies. ATLAS is the only available customized workflow-based solution in the Indian life insurance industry that caters to all IRDA guidelines and helps in end-to-end tracking of the Financial Consultant (FC) Licensing process. The workflow based solution has delivered incredible results and has definitely made the insurer’s systems more nimble, thereby enhancing the productivity of the workforce. The project, which cost about Rs 1.47 crore will help HDFCSL save Rs 4.74 crore in its first year. It allowed HDFCSL to improve its turnaround time by 30 days. It has eliminated multiple types of queries and rescheduling, saving Rs 10 lakh a year in recurring costs. MIS reports are now available online saving the insurer Rs 80 lakh a year in peoples’ time. Over the next five years, ATLAS is expected to achieve ROI of 642 percent. As proof of its unique capabilities, ATLAS has received CIO’s “The Indigenous 100 – 2009 Award”.

(xvii) To improve customer proximity, increase personalised services, and strengthen brand image by innovative utilisation of internal resources, HDFCSL implemented Workflow on Demand and Enterprise Retrieval System (Wonders), an Enterprise workflow system integrated with a document imaging system. Wonders enabled standardisation of documents for mapping into the document management system, automation of all operations and helped to get rid of paper by using images instead. The benefits have been: Productivity improvement due to reduction in complaints from sales, instant retrieval of information, and increased capacity, Reduction of average policy insurance time, Faster response leading to high customer satisfaction and Improved and consistent customer service.

(xviii) In order to appeal to the Net savvy customers, the company has launched an online channel. It is offering a discount of 40 per cent of the first year and
second year premium allocation charges in respect of policies sold online, and expects the online channel to account for 2 to 3 per cent of sales in the next five years.

(xix) Apart from distributing its products through direct marketing, brokers, corporate agents, independent financial advisors, telemarketing, retail chains, internet marketing, bancassurance, the company has also pioneered the concept of worksite marketing. Under this strategy, the company sends his team to the target group and explains the products and services suitable to them at their work spot. This enables the prospects to discuss among colleagues and take a better informed as well as quick decision.

(xx) With its increased focus on increasing business from alternate channels, the company has been strategising on further strengthening its banking distribution channel by developing relationships with more banking partners and driving up business with the existing relationships. Due to this, the share of business derived from bancassurance has grown significantly over the years. Bancassurance which contributed 30.68 per cent in 2004-05, increased its share to 34.91 per cent in 2005-06, 34.29 per cent in 2006-07, 35.45 per cent in 2007-08 and 44.55 per cent in 2008-09.

(xxi) From its inception, the company has aimed to provide consistent and high quality customer service across all delivery channels such as branches, call centres, internet and the customer portal. Since understanding the changing and the latent needs of customers and developing products according to them lies at the heart of successful marketing strategy, the company conducts periodic service audits across all regional offices and call centres. These audits provide useful insights into customer requirements and expectations helping the company to further improve the quality of its processes to provide unmatched customer service across touch points.
(xxii) The company through its partnerships with co-operative banks, NGO’s and SHG’s has been successful in penetrating the rural markets and except for 2008-09, has been consistently increasing its share of rural business. Its share of rural business was 18.28 per cent in 2004-05, 19.4 per cent in 2005-06, 23 per cent in 2006-07, 23 per cent in 2007-08 and 12.85 per cent in 2008-09.

(xxiii) It has been a constant endeavour of the company to improve the knowledge and skill levels of its agency force in order to ensure well informed advice to the customer. The company has set up in house training facilities where apart from the mandatory training specified by the IRDA, additional training is offered to improve the product knowledge and customer handling skills of agents. The organisation also conducts refresher training courses on a regular basis to equip the agency force with the latest knowledge, trends and IRDA recommendations. This enables the agents of the company to understand customer needs and match products according to the financial requirements, risk profile and risk appetite of the customer’s thereby enhancing customer satisfaction and long term relationships.

(xxiv) With the objective of ensuring uninterrupted customer service in any eventuality, the company has formulated a Business Continuity Plan and has set up dedicated systems and facilities for Disaster Recovery Management. This would assure the customer of continued service and there would be no disruption in the company’s operations in any situation.

(xxv) Since quality of human talent is a crucial differentiator in a customer focused service such as insurance, the company has undertaken a competency mapping exercise to establish core competencies required across functions and levels within the organisation. This exercise will facilitate the company to meet its future requirement for leaders by identifying and growing talent.
4.3.10 Analysis of Case 3 (HDFC StandardLife Insurance Company Limited):

HDFC StandardLife Insurance though being the first company to be registered and issue a policy among the private life insurers is not the fastest growing company. From its inception it has focussed on the quality of growth and not just on the increase in the top line. As a result the stability and the quality of its portfolio are very high. For instance its persistence level is among the best in the industry. Persistence level is the measure of renewal of existing policies every year. The higher persistence level indicates the better quality of the portfolio.

Its regular premium business is significantly higher over the single premium business and the proportion of regular premium to the total premium of the company is among the highest in the industry. When most of the other insurers were aggressively targeting the single premium business, the company had adopted a contrarian approach and focussed on regular premium business. The reason being that regular premium business, rather than the single premium portfolio, creates better value. Value is created by regularity and predictability of the premium flows. Since returns on ULIP plans are influenced by the vagaries of the stock market, the company has taken conscious efforts to reduce the share of ULIP’s in its portfolio as a measure of de-risking. As a result, the share of unit-linked plans in total sales has come down from 85 per cent in 2007-08 to 75 per cent in 2008-09.

The company maintained its healthy pipeline of products by launching 11 products apart from slashing the premium rates of its Term Assurance Plan premium rates by about 25% across different age bands for 2008-09. This measure is further expected to increase sales and revenues.
The company’s entry into the health insurance market last year with the launch of two products – SurgiCare and Critical Care was a significant move in line with business objective. The low penetration of health insurance in India gives the company a tremendous opportunity to provide quality health insurance. The health products along with the complete range of life insurance and pension’s portfolio meet almost every aspect of an individual’s requirements and is expected to further boost revenue of the company.

The company instead of relying on any particular media has adopted 360 degree media approach and use of experiential marketing in every campaign to ensure strong and enduring emotional platform linked to customer needs. As proof its robust business practices and brand building efforts the company has been rated thrice in a row by The Economic Times – AC Nielson ORG Marg survey of ‘Most Trusted Brand’ as the Most Trusted Brand. The advertisements of the company have also been awarded by AAI, ABBY’s and Laadli awards.

To further strengthen its brand equity, it has launched a new campaign, “Kal Ki Socho, Sar Utha Ke Jiyo”. The new campaign effectively addresses the issue of life insurance and uncertainty in a very light hearted manner and yet delivers the message effectively. Since the company has taken this new campaign through different platforms such as television, print, radio, OOH, Internet, mobile, and on-ground initiatives, this is expected to further intensify the brand experience and improve its competitive strength.

The insurer is a pioneer in completely shifting the emphasis on life insurance from just risk mitigation to that of ‘prestige’. The company has won the Best Pension Provider award and the 5 star life and pension provider award at the Financial Service Awards as further proof of the effectiveness of its innovative advertising strategies.
Apart from its strong advertising platform, the company has also focused on Below the Line Marketing efforts in order to achieve a close connect with the customers. For instance the Spellbee contest and the Timesguru drawing competition, International Arts and Crafts Competition (IACC 2007 in association with Pidilite has helped it to connect with children and parents and is a strong platform to create awareness about its children’s plans. The House of Mobile Van campaign in which a replica of a house was mounted on a mobile van was successful in creating awareness of home protection through a home loan insurance plan in major cities and towns.

In its continuing quest to increase revenue from alternative channels so as to reduce its operating expenses, the company has been focusing on bancassurance. For the year 2008-09, around 47 per cent of the fresh business came from bancassurance which is the highest among the sample companies.

The capital efficiency of the company is 3.22 which is the second highest among the sample companies. It indicates high degree of efficiency in utilisation of capital.

The proof of its continuing quest to leverage IT to deliver superior value to its stakeholders, is the prestigious awards won including the CIO 100 ‘The Ingenious 100 Award,’ for ground-breaking Agency Training Licensing and Servicing System (ATLAS), CIO 100 Special Security Award for new LANDesk Management and Security Suite implementation, CIO 100 Bold Award for Consultant Corner, its mobile workforce portal, CIO 100 Special Security Award for its proposals for a safe computing environment, CIO 100 award for Wonders, its internal workflow and document management system and CIO 100 Special Storage Award, for deploying a unified storage architecture that allows growth on-demand.
The solvency ratio of the company was 2.90 in the year 2005-06 and it was ranked first along with SBI Life. In the next year (2006-07), its solvency ratio declined considerably to 2.05 and its ranking declined to the eighth position. For the year 2008-09, though there was an improvement in its solvency position (2.58), because of the better performance of the other private life insurers on the solvency front, the rank of the company further declined to the tenth position.

The commission ratio of the company has been reduced consistently over the study period due to the company’s relentless focus on deriving increasing business from alternate channels. The commission ratio which was 10.65 per cent in 2004-05 has declined to 7.64 per cent in 2008-09 which is one of the lowest in the industry. Since commissions are one of the major expenditure heads of an insurance company, the decline in commission ratio is a sure sign of efficient cost management and would enable the company to optimise its costs of doing business.

Though the ratio of policy holders liabilities to shareholders funds has shown a consistent increase over the study period and has reached 1,501.08 per cent in 2008-09 as compared to 630.24 per cent in 2004-05 it is significantly lower when compared to the other companies taken up for the study. Therefore the company is in a better position when compared to its competitors with respect to this parameter.

The increase in the number of financial consultants by 43 per cent from 1.45 lakh in FY 08 to 2.7 lakh in FY 09 is expected to further boost the company’s business. The company’s efforts to increase productivity, maintaining good flow of renewal and new business premiums and reducing expense over runs is expected to make the company’s operations profitable in a short span of time.

The proportion of regular premium in the total premium income of the company has been maintained at a high level during the entire period of study and has
shown a year on year increase indicating growing income stability. The proportion of regular premium has been increasing from 79.13 per cent in 2004-05 to 79.74, 79.70, 84.77 and to 88.03 per cent in 2008-09. The growth in renewal premiums have averaged 75 per cent for the period 2004-09 which is among the best achieved by private life insurers. This indicates the high level of customer trust and confidence on the company.

The proportion of business generated through the bancassurance channel has increased from 30.68 per cent in 2004-05 to 44.55 per cent in 2008-09. This is a good sign because increased proportion of business through bancassurance indicates better persistency and lower lapsation rates.

The company needs to focus on reducing its operating-expense ratio, which stood at 29 per cent in 2008-09, in order to improve profitability. Since the company has reduced its infrastructure cost by 30 per cent primarily be renegotiating rentals and cost efficiency initiatives, its operating expenses ratio is expected to decline. The management expenses ratio of the company which declined during the period 2004-07, rose marginally in 2007-08 and has risen sharply in 2008-09 indicating the need for better control over costs. The ratio which was 44.25 per cent in 2004-05 declined to 33.22 per cent in 2005-06, 27.54 per cent in 2006-07, increased marginally to 28.08 per cent in 2007-08 and rose significantly to 39.38 per cent in 2008-09. The organisation needs to ensure better monitoring and control over costs in order to reduce management expenses.

The share of rural business which was increasing year on year from 18.8 per cent in 2004-05 to 23 per cent in 2007-08 has plunged to a low 12.85 per cent in 2008-09 which is a cause for concern. Considering the tremendous potential of the rural markets, the company should reformulate its rural marketing strategy, further
widen and deepen its rural distribution channel and actively new business partners to increase its rural business.

4.4 Case 4: ICICI Prudential Life Insurance Company Limited:

ICICI Prudential Life Insurance Company received its certificate of registration on November 2000 and started operating in December 2000. It was initially capitalised with Rs.150 crore. The total capital infused in the company stands at Rs. 47.80 billion as on 31st March 2009. As on March 31, 2009 the company’s assets under management (AUM) stood at Rs 32.7 billion.

The company is a 74:26 joint venture between ICICI Bank India Ltd. and Prudential PLC based in UK. ICICI Bank holds 74 per cent share in the company while Prudential Plc holds the balance 26 per cent. The JV brings together a blend of ICICI’s rapidly growing retail customer base, local market expertise, strong brand identity and investment capabilities and Prudential’s unrivaled global experience in the life insurance business in both developed and emerging markets. The growing technology enabled retail distribution base of ICICI along with Prudential’s proven track record in emerging markets in Asia was proposed to be leveraged to develop the business.

The company is among few private insurers in India to receive a National Insurer Financial Strength rating of AAA from Fitch ratings assuring all of ICICI Prudential’s ability to meet customer obligations at the time of maturity or claims. It is the first Indian life insurance company to receive the Life Insurance Company of the Year award at the Asia Insurance Industry Awards 2008. The company was awarded for its constructive contribution to efficiency and effectiveness in the financing of insurable risk in Asia. It has been rated thrice in a row by The Economic Times – AC Nielson ORG Marg survey of ‘Most Trusted Brand’ as the Most Trusted
Private Life Insurer. It became the first Indian life insurance company to be offered a special grant by the International Labour Organisation’s Micro Insurance Innovation Facility for ‘Anmol Nivesh’, a product designed exclusively for the tea plantation workers in Assam.

ICICI Prudential currently has 735 offices, 1,116 micro-offices, 2104 branches, 22 Bancassurance partners and over 2.9 lakh advisors. Having won Public accolade as the most trusted private life insurer in India, ICICI Prudential Life Insurance Co Ltd brings a wide array of life insurance products to the customers.

4.4.1 Profile of the Partners:

ICICI Bank Ltd (NYSE:IBN) is India’s largest private sector bank and the second largest bank in the country with consolidated total assets of over US$ 90 billion as of March 31, 2009. ICICI Bank’s subsidiaries include India’s leading private sector insurance companies and among its largest securities brokerage firms, mutual funds and private equity firms. ICICI Bank’s presence currently spans 19 countries, including India.

Prudential Plc is an international retail financial services group with significant operations in Asia, the US and the UK. Established in London in 1848, Prudential plc is an international retail financial services group with significant operations in Asia, the US and the UK serving around 25 million customers, policyholders and unit holders worldwide. The company has £290 billion of assets under management and is one of the best capitalised insurers in the world with an Insurance Groups Directive (IGD) capital surplus estimated at £3.4 billion (at March 31 2009). Prudential is a leading life insurer in Asia with a presence in 12 markets and holds the top three positions in seven key locations of Hong Kong, India, Indonesia, Malaysia, Singapore, the Philippines and Vietnam.
4.4.2: **Vision and Business Philosophy:**

The vision of the company is, ‘To be the dominant Life, Health and Pensions player built on trust by world-class people and service’. The success of the company is to be founded in its unflinching commitment to 5 core values - Integrity, Customer First, Boundaryless, Ownership and Passion. Every member of the ICICI Prudential team is committed to the 5 core values. These values shine forth in all that the company does, and has become the keystones of its success.

4.4.3 **Business Performance:**

The Gross Written Premium (GWP) has shown a consistent increase over the years. For the year 2008-09, the GWP was Rs.153.56 billion representing an increase of 13.2 per cent over the corresponding period in the previous year when it was Rs.135.61 billion. The GWP for 2006-07 was Rs.79.13 billion which was significantly higher when compared to the Rs.42.61 billion received during 2005-06 and Rs.12.56 billion received during 2004-05. The highest recorded increase in GWP was 103 per cent which was during 2005-06 and the lowest increase was in 2008-09 when it was 13.2 per cent. In terms of New Business Premium (NBP), for the period 2004-08 there was a marked increase in a sequential basis. NBP however declined in 2008-09 when it was Rs.64.84 billion as compared to the Rs.80.35 billion received during the previous year.

4.4.4 **Profitability and Market Share:**

The loss incurred by the company was lower during 2008-09 at Rs.7.79 billion when compared to the Rs.13.75 billion incurred during 2007-08. The company had incurred losses of Rs.7.85 billion during 2004-05, Rs.9.53 billion during 2005-06, and Rs.16.02 billion during 2006-07. The accumulated loss of the company as on end March 2009 was Rs.37.76 billion. The company is ranked number one among the
private life insurance companies in terms of market share for a continuous period from 2002-03 to 2008-09. Its market share based on retail weighted premium was 9.8 per cent in 2004-05, 10.2 per cent in 2005-06, 9.9 per cent in 2006-07, 12.7 per cent in 2007-08 and 10.9 per cent in 2008-09.

4.4.5 Distribution Network:

The company in the first few years of the business, focussed on making sure that it had the right products for retail consumers, the right technology, getting the branding right, and managing the challenges of distribution. From 2005, it has increased its focus on distribution and increased its presence in close to 1,815 different locations. The company has also increased its rural focus where the challenges are different and the needs smaller. It has been a pioneer in addressing the needs of the rural market and has so far issued over 2 lakh policies to its rural customers. It has 1,345 offices in rural locations and 40,000 advisors are serving the needs of rural clients. The number of advisors have increased significantly from 53,000 in March 2005 to 2.77,000 in March 2009 and the branch network has rapidly expanded from 113 to 2104 in the above said period. Due to its focus on alternate channels, the non agency share has increased from 23.2 per cent in 2004-05 to 44.3 per cent in 2008-09 which is among the highest in the industry.

4.4.6: Product Profile

The company has sold over 9 million policies since its inception. Its wide range of innovative products meets the requirements of customers at every stage. Its products have been so designed that they can be further improved with three or four riders based on individual requirements. It has already become a significant player in health insurance which is a promising area for life insurance companies. The firm has created a specialised commitment to sell ‘benefit’ products and has plans to discover
new planks within the category such as reimbursement policies that are similar to
Mediclaim products from general insurance companies.
The company has nine specialised healthcare products from standard vanilla to
disease-specific plans. Apart from that, the company has been among the pioneers of
pension savings and long-term savings plans. It has nine different standalone
healthcare plans for the consumer. Products are centred around three key areas: a
reimbursement plan, a benefits plan that supports hospitalisation and other costs, and
a diseases-specific plan that targets various diseases. In 2008-09 the company
developed exclusive life insurance solutions, especially for the lower income segment
in India. It launched ‘Anmol Nivesh’ and ‘Sarva Jana Suraksha’ to help consumers in
the lower income group to meet their savings and protection needs. It became the first
company to launch a health insurance product that combined the benefits of
hospitalisation reimbursement and fund accumulation termed ‘Health Saver’ which
changed the entire landscape of the health insurance industry in India. The company
launched ‘LifeStage Assure’, a triple advantage wealth creation product. The product
is designed to provide guaranteed returns of up to 450% of the first year premium on
maturity, to enable consumers to invest in equities without any risk of downside.

4.4.7 Competitive Strategies:

(i) To address the non-financial, post-retirement needs of the growing
elderly citizen community in India, ICICI Prudential Life Insurance has tied up with
Dignity Foundation to launch a partnership called ActivAge. ActivAge is a program
that goes beyond financial planning, and helps ICICI Pru Life customers plan their
non-financial post-retirement life too. Through ActivAge, ICICI Prudential Life
Insurance aspires to reach out to its network of policyholders and help them enjoy
their golden years, in every sense of the word.
(ii) To tap into the growing NRI segment, ICICI Prudential Life has entered into a partnership with Dubai-based UAE Exchange House, one of the largest exchange houses in the Middle East. The tie-up will enable non-resident Indian (NRI) customers of ICICI Prudential Life gain access to any of the 50 odd branches of UAE Exchange spread across the length and breadth of the United Arab Emirates (UAE) to make their first and renewal premiums.

(iii) With its relentless focus on product innovations to cater to the needs of various customer segments and differentiate its offerings in the crowded market, the company was the pioneer is introducing a wealth solution based on the ‘Trigger Portfolio’ strategy in its LifeTime Maxima. The ‘Trigger Portfolio’ strategy allows a customer to book profits made in the equity market and protects them from any future market volatility. This strategy enables the customer to take advantage of substantial equity market swings and invest on the principle of “buy low, sell high” in a systematic manner while maintaining a pre-defined asset allocation. This scheme has gained great mind share and market share for the company.

(iv) As a forward looking company, ICICI Prudential has been leveraging the potential of CRM to acquire, understand and satisfy customers. Through its CRM deployment the company obtains granular details about customers, helping it to design better products, improve service levels and reduce operational costs. CRM has helped the company capture five lakh customers through effective event-based marketing and lead tracking to cross- and up-sell products.

(v) In a bid to differentiate its service offerings, ICICI Prudential launched the ‘TruLife Club’ for its high-value policyholders as part of its marketing strategy. Through TruLife Club, the company offered a wide range of health-related products, health and fitness equipment and membership in gyms, health resorts and clinics in
India. Policyholders with a sum assured of Rs. 0.5 million or more are included into this club. The purpose of this whole exercise was to encourage a healthy life of its customers. The campaign finds an extension on the digital medium via a site www.retirementbestjob.com. The site is aesthetically built and offers a user the opportunity to live and pursue, Retirement; The Worlds Best Job. The site acts as a warehouse of sorts when it comes to ideas of what jobs one can pursue post retirement. The site offers 8 large avenues to the user such as pursuing sports, food and restaurant business, social work and others. The information provided gives a user a fair idea of that profession / job / dream and acts a sort of a reality check. The site also has a retirement calculator, product information and a myth buster section that busts myths people have when it comes to Retirement.

(vi) To increase its penetration in the rural areas, it has tied up with ICICI Bank, Bank of India, Federal Bank, Lord Krishna Bank, many co-operative banks, NGOs, MFI's and corporates. From inception, the company has sold over 2 million policies to the rural customers and in 2008-09, 29 per cent of the total policy sales was in the rural areas.

(vii) In a bid to improve financial literacy and drive home the importance of insuring oneself, ICICI Prudential Life Insurance Company has expanded its rural education initiative. The programme, Pragati Ki Anokhi Paathshala (PKAP), is aimed at offering a two-day progressive educational model for the rural students. Through PKAP, the company has managed to introduce value based intellectual concepts to children, share new techniques of teaching with school teachers and motivate parents to plan their child's education. The company had successfully completed the module across 19 schools in rural areas of Andhra Pradesh and plans to introduce PKAP in 35 more schools in the State and then go nation wide.
(viii) To further strengthen its distribution network, the company has tied up with India Post to distribute insurance products through the vast network of post offices in West Bengal, Gujarat, Karnataka, Andhra Pradesh, Bihar, Jharkhand and Madhya Pradesh. In the referral agreement, the postal employees would refer their customers to ICICI Prudential's bancassurance officers for selling insurance policies. This initiative will help the company in increasing its rural reach, considering the fact that about 90 per cent of the 1,50,000 post offices across the country are located in the rural areas.

(ix) As a part of its ongoing rural marketing thrust, the company, recently introduced biometric smart cards for its rural customers in a few States. With these cards, the policy holders can carry all policy details without any papers and store transaction details. A rural customer does not have to go to the branch situated in a distant place. He can go to the nearest FINO (Financial Information Networks Operation) access point, where the customer can swipe the card and authenticate himself. To make better use of the biometric cards, the company is planning to take the benefit of government-sponsored e-initiatives like 'AP Online' in Andhra Pradesh and 'e-mitra' in Rajasthan. The insurer plans to use such e-initiatives in other States also. The main aim is to leverage the strengths of the Government-sponsored e-initiatives.

(x) In order to ensure speedier settlement of claims, reduce customer complaints and improve customer satisfaction, the company has done away with the Third Party Administrator model and settles health claims directly. For this purpose, it has launched 'ICICI Pru ClaimCare' and set up a network of 2,500 hospitals, providing cashless service to policy holders across 488 locations.
(xi) ICICI Prudential Life has extended its corporate agency tie up with the Muthoot Group in 6 additional States for the distribution of its insurance products. ICICI Prudential Life has partnered with the Muthoot Group for the past six years in Kerala, and the partnership with the Kerala-based NBFC will now be extended to States such as Delhi and NCR, Rajasthan, West Bengal, Punjab, Gujarat and Maharashtra where it has a strong presence.

(xii) In order to ensure on-time and on-demand customer service, the company has introduced Web chat service for instant resolution of policy related queries from its customers. The customers can avail themselves of the 24x7 service by logging on to the company’s Web site www.iciciprulife.com with policy details to inform change in address, contact details, seek information on net asset value/fund allocation, premium payment options etc., and also lodge complaints if any.

(xiii) The company has entered into a strategic partnership with Thrissur-based South Indian Bank (SIB) to provide policyholders the convenience of paying their first as well as renewal premiums in cash at over 296 branches of SIB in Kerala. The partnership will enable the bank to provide one more value-added service to the customers. ICICI Prudential Life has also announced similar institutional tie-ups for cash management solutions with the e-governance initiative of the Government of Rajasthan (e-mitra) and the Department of Posts in some States in the country.

(xiv) To provide prompt customer service, the company has launched a new claim intimation service ‘ICCLAIM’ for its policyholders. The company’s customers can send a SMS to the company with the policy number and receive immediate assistance from the company to make the claim thus speeding up and ensuring hassle free claim settlement process.
(xv) Since nearly 65 per cent of renewal premium payments are made through different electronic means, 20 per cent through drop boxes and the balance in cash, the company has launched, for the first time in the country, a system of paying premiums by logging on to computerised interactive voice response facility without having to disclose credit card numbers or policy details to the call centre executive.

(xvi) The company was the pioneer in enabling its policy holders to pay premiums through their mobile phones and this service has turned out to be a boon to its customers. The company has partnered with mChek, a Visa certified system to enable its policy holders to pay their premium by sending an SMS and using their credit card.

(xvii) To improve its customer service levels by leveraging modern technology, the company introduced the web chat service to resolve policy related queries instantly. This service has been a great success considering the fact that the number of persons accessing the site has increased by over 400 per cent. Through the web chat service, consumers can inform the company about change in their address and contact details, seek information on Net Asset Value (NAV)/ fund allocation, premium payment options, customer service documents (RPN, RPR, Unit statement), etc. Webchat also enables the consumers to lodge any complaints, they may have. Since a number of policies are unit linked (NAV based), the SMS pull feature was introduced, by which a policy holder can get the NAV by sending an SMS and stating his policy number. As evidence of its popularity, the company receives over two lakh hits every month.

(xviii) To ensure ready availability of quality manpower to meet its expansion programs and reduce its time and investment in recruitment efforts, the company has tied up with 21 management institutes such as XLRI and Narsee Monjee Institute of
Management Studies to offer post graduate diploma courses in insurance and management for freshers. The company has recruited over 5,000 candidates through this route in 2007-09 and it serves as an effective medium to ensure ready availability of suitable and high quality talent to provide further growth momentum.

(xix) ICICI Prudential Life has also introduced various technology-enabled initiatives that enable consumers to transact with the company through mobile and internet. Some of these initiatives include, premium payment through mobile (mChek), purchase, updating and switching of policies online, premium receipts, notices, statements, policy details and NAV being made available online for enhanced customer convenience.

(xx) The company has launched an online campaign based on one of their TVCs that talks about the fact that people must trust life insurance as an investment tool as it helps them achieve their long term financial goals. It is basically a contest around the TVC which gives participants a chance to win a Blackberry phone.

(xxi) The company has also introduced free Health check-ups to understand current health status and set goals. It also gives online help with diet and fitness advice to help its customers achieve these goals. To supplement this there are also attractive discounts for health centres and diagnostic labs. On the interactive side it has a blog/newsletter and a Health Active hotline. The motto seems to be 'get healthy and be rewarded'. There are reward points to be collected when a customer completes each health related activity and reaches goals which lead to a gift. The ICICI Prudential website’s homepage leads to Health Active page and there is an excellent animated demo for understanding how the program works. All these initiatives while creating awareness of better health also serve as an effective mode for promoting the health insurance products of the company.
ICICI Prudential Life Insurance launched a co-branded TVC in association with the movie Cheeni Kum, although there is no in-film mention of the brand. The promo revolves around a particular scene in which Amitabh Bachchan bends over to recover something that has fallen, and it looks almost as though he is touching Tabu's feet. Tabu gives him her mock blessings, saying "Jeete Raho". To this, Bachchan comically quizzes whether she is an insurance agent, as they are the only ones that wish for anyone's long life. This scene is used as a TVC promo and is even carried forward on the ICICI Prudential Life Insurance website. It serves as an interesting approach at making in-film advertising which is unobtrusive and less contrived.

ICICI Prudential has used a high-decibel multimedia campaign to position insurance on an emotional platform (of protection) rather than merely a rational one (of tax savings). It targets its communications at the head of the family, with the positioning: "We cover you at every step in life" (Suraksha... zindagi ke har kadam par). It also uses the metaphor of the sindoor to communicate the generic benefit of protection.

Even with regard to its advertising strategy, the company's approach is strikingly different. Generally the concept of insurance is always associated with death and hence a lot of negativity association is inherent in insurance advertising. In the year 2001, ICIC Prudential starting its first advertising campaign with the concept of 'Sindoor'. Sindoor in the Indian culture is seen as the symbol of protection by every woman. So the message for the consumers was clearly to project ICICI Prudential as a means of protection. The objective of the campaign was to establish the positive side of life insurance and entrench the brand in the minds of consumers. The first commercial of ICICI Prudential opens with a marriage ceremony with a
couple taking vows. The connotation was simply to show that with ICICI Prudential by one’s side, one would be able to fulfill all the promises one makes. The ad campaign helped the company to amass tremendous goodwill that was the need of the hour. Although the campaign signifies protection it also talks about the responsibility on the shoulders of the head of the family. In a bid to focus more on this aspect, ICICI tweaked its advertising strategy a bit in its second phase. In the year 2005, the communication centred around the proposition of satisfaction by fulfilling responsibilities towards one’s family. This was brought alive by the visual of ‘kandaha’ or the shoulder, which was used to symbolise responsibility. All the ad films were visually arresting with powerful lyrics and music and enabled the company to increase brand reach and recall.

(xxv) Diverting from the basic theme, ICICI Prudential ventured into its third phase of advertising with the ‘Jeetey Raho’ campaign, which goes on to portray that insurance helps to forget all tensions and hence live longer. The idea was to state that live for today without any worries about tomorrow. The expression, ‘Jeetey raho’ is accepted as a blessing for living well and living long and therefore it serves the purpose of the creative to deliver the key message that is to live well today without worrying for tomorrow. The campaign moved away from the concept of ‘protection’ to a wider proposition of ‘goals guaranteed’. It reflected the shift in customer attitude towards life insurance. Insurance is now seen as an assurance for one’s important life goals such as wealth creation, retirement planning or savings for children’s education to be met. The communication thus marked a shift in focus from a primarily emotional benefit driven campaign to a more rational benefit platform. Following the success of the ‘Jeetey Raho’ campaign the company’s latest retirement category campaign extends the message of goals guaranteed into the realm of retirement
planning. The company had always brought to the fore very Indianised elements in all their ads, with a backdrop of hope and happiness to drive away the negativeness that subconsciously gets attached to insurance.

(xxvi) ICICI Prudential’s tax planning campaign using ‘Chinta Mani’ as the protagonist who represented a common man who is worried about his tax payments resulted in high brand recall. With Chintamani, insurance advertising got a new treatment. The claymation (clay animation), particularly, broke away from the clutter. To add to it, the jingle was also very catchy. Due to the success of the campaign, ICICI Prudential now enjoys a brand recall of 92 per cent next to LIC’s 97 per cent, according to AC Nielsen’s Brandtrack 7 study conducted in the year 2007-08. Lately, the company has come out with a ‘chota Chintamani’ who is concerned about health insurance and ‘bada chintamani’ who speaks about tax savings. The aim is to project the dual advantages of the insurance scheme. The hint of humour laced with seriousness stuck an instant chord with the target audience. Sales grew by 68% in FY 2008 year on year helping the brand cross the 7 million policies mark for the first time. Then came its retirement solutions campaign with the tagline ‘Retire from work, not life’. On a budget of Rs 5.8 crore for February 2005 alone, ICICI Prudential’s ‘Retirement solutions campaign’ was the highest spending brand, pipping several HLL brands to the post.

(xxvii) ICICI Prudential Life Insurance has tied up with Contests2win.com to create a series of games, which drive home the point that procrastination is expensive. The insurer’s mascot, Chintamani, dons different guises (a doctor, a gym instructor and a dietician) to understand a consumer’s medical and financial history and suggests a suitable policy. In a sector characterised by benefit-driven campaigns, the popular
adver-games on retirement and tax calculation facilitate effective communication and help consumers make informed decisions.

**Analysis of Case 4 (ICICI Prudential Life Insurance Company Limited):**

The solvency margin of the company has shown an appreciable growth from 1.48 in 2004-05 to 2.31 in 2008-09. It has increased from 1.48 in 2004-05 to 1.63 in 2005-06, declined to 1.53 in 2006-07, increased to 1.74 in 2007-08 and to 2.31 in 2008-09 indicating strengthening ability to meet customer commitments. The Company’s continued focus on customer retention was reflected in policy surrenders which came down from 8.4% of average assets in fiscal 2008 to 6.5% in fiscal 2009.

Its productivity per agent and per unit manager is the highest among private life insurers and on an average an individual agent generates business of Rs.1.34 lakh while a unit manager generates an average business of Rs.29.76 lakhs.

In a bid to reduce its dependency on the agency channel the strategy of the company to tap the alternate channels has been very successful as borne out by the numbers. Business procured through alternate channels which was negligible in 2004-05 increased marginally to 1 per cent in 2005-06, 9.09 per cent in 2006-07 and then increased steeply to 39.5 per cent in 2007-08 and 44.3 per cent in 2008-09. Due to the company’s strategy of deriving increased volumes of business from alternate channels which have low commission outgo, commission as a percentage of GWP has declined by half from 8 in 2004-05 to 4 in 2008-09. The commission ratio of the company has declined from 7.53 in 2004-05 to 4.6 in 2008-09. Since commissions are a major item of expenditure of an insurance company, the lowering of the ratio is a positive measure.

There has been a consistent decline in the expense ratio of the company. The expense ratio which was 17.3 in 2004-05 has declined to 11.8 in 2008-09.
Considering the huge amount of accumulated losses, this is a welcome sign because it signifies better cost management. The management expenses ratio indicates a mixed trend and is still in the higher side in 2008-09 indicating the need for better expense management. The management expenses ratio which was 19.55 in 2004-05 declined to 17 in 2005-06 and then shot up to 26.1 in 2006-07, 27.7 in 2007-08 and then declined to 22.5 in 2008-09.

The commissions ratio of the company is one of the lowest in the industry and is the lowest among the companies considered for the study. The commission expenses ratio which was 6.8 per cent in 2004-05 has declined to 6.6 per cent in 2005-06, increased marginally to 6.7 per cent in 2006-07 before declining to 6 per cent in 2007-08 and to 4.6 per cent in 2008-09.

Both the measures, operating expense as percentage of GWP and operating expense as percentage of AUM have shown a decline. Operating expense as percentage of GWP has come down from 20 in 2004-05 to 18 in 2008-09 and operating expense as percentage of AUM has declined from 14 in 2004-05 to 8 in 2008-09. This decline in operating expense ratio would improve the financial strength of the company and would contribute to lower its losses.

The company has leveraged its multi-channel distribution network to increase proximity to its consumers. With an advisor base of over 2,90,000, branch network of 2,099 branches with a presence in more than 1,800 cities, towns and rural areas, 18 strong bank partners and customer touch-points of over 10,000 ICICI Prudential has the most widespread distribution network next only to LIC which enables it to gain additional business at a faster pace when compared to its competitors.

The strong growth in renewal premiums which have grown at a CAGR of 103 per cent for the period 2004-05 to 2008-09, from Rs.7.79 billion in 2004-05 to
Rs.88.72 billion in 2008-09 is an encouraging sign since high retention rate and growing renewal premiums indicate better customer satisfaction as well as reduced pressure on advertising and marketing spending.

The total business of the company has grown at a consistent rate of over 100 per cent. The growth in total business was 138 per cent in 2004-05, 109 per cent in 2005-06, 130 per cent in 2006-07, 223 per cent in 2007-08 and 144 per cent in 2008-09. The over 100 per cent growth in 2008-09 is commendable considering the slowdown in the insurance sector as a result of the global economic and financial crisis.

The company has recorded the fastest growth in terms of policies sold in each million stage. The company which took 44 months to sell the first million policies, took 16 months to sell the next million, 8 months to sell the next million and just 17 months to sell the next four million policies. It has sold 9 million policies upto end March 2009 in a record span of 85 months.

The company has been aggressive in its marketing efforts. It has a 12 per cent share in advertising and is ranked third in the life industry and second among private life insurers for 2008-09. This would enable the company to increase customer awareness and preference for the brand.

With regard to claim settlement, death claims outstanding for a period of more than one year does not depict a healthy trend. For the period 2004-06, death claims outstanding for more than one year was nil whereas it was 17 in 2006-07, 27 in 2007-08 and 63 in 2008-09. Since prompt claim settlement is an important element of the insurance contract, the company needs to analyse the reasons for the increasing number of outstanding claims and take necessary remedial measures.
Though the company maintained its number one position in the year 2008-09 (a position which it had maintained from 2002-03), the decline in market share from 12.7 per cent in 2007-08 to 10.9 per cent in 2008-09 is a cause for concern. This drop in market share is due to the entry of new players with innovative products as well as introduction of new delivery models and distribution channels. If the company does not reorient its product and marketing strategies, further declines in market share would be hard to prevent.

The Annualised Premium Equivalent (APE) which had grown at over 70 per cent CAGR for the period 2004-05 to 2007-08, has declined in the year 2008-09. Similarly growth of Gross Premium Written (GWP) has also declined to 13.2 per cent in 2008-09 when compared to the over 50 per cent growth in the 2004-05 to 2007-08 period. These declines are a cause for concern.

With regard to product structure, 90 per cent of the company’s business is accounted for by ULIP’s. ULIP’s have a higher cost structure and also their redemption rate is much higher when compared to other products. Considering their higher cost structure as well as liquidity concerns in case of large scale redemptions, the company should market non ULIP products much more aggressively in order to reduce its risks.

Though Webchats introduced by the company have become popular, security of the system needs to be addressed strongly if ICICI Prudential Life Insurance wants any significant shift of client queries load to webchats.

At Rs 3,200 crore, I-Pru has recorded the largest accumulated losses in the entire industry. With Prudential Insurance, unlikely to supply more capital and since better profitability and valuations are essential for the future Public offer contemplated by the company, it has to adopt the process of rationalising costs and improving margins.
Instead of just chasing growth at any cost, the focus needs to be on profitable growth. There is a compelling need to bring efficiency and focus in the marketing strategy aiming for greater cash generation.

Though the company's losses in March 2009, losses came down to Rs 800 crore, and to Rs 105 crore by September 2009 due to the internal restructuring exercise being carried out, there needs to be relentless focus on generating new business at reasonable cost. Continuing pursuit of growth has to be dovetailed with cost reduction strategies in order to ensure long term sustenance and leadership.

The conservation ratio of the company has declined significantly in the year 2008-09 and presents a mixed picture in the entire study period. The conservation ratio which was 78.4 per cent in 2004-05 declined to 74.2 per cent in 2005-06, 69.6 per cent in 2005-06 increased to 77.6 per cent in 2007-08 before declining to 68.8 per cent in 2008-09. The decline in conservation ratio does not augur well for the company. The company has to take concerted steps to retain its customers and reduce the lapsation rate.

The persistency ratio which was significantly high at 96.8 per cent in 2004-05 has been declining consistently over the study period. The ratio has declined from 96.8 per cent in 2004-05 to 94.4 per cent in 2005-06, 88.7 per cent in 2006-07 and to 77.6 per cent in 2008-09. Since persistence ratio is a good indicator of the quality of a company's portfolio, the decline in persistency ratio is a worrying sign for the company.

4.5 Case 5: Life Insurance Corporation of India Limited (LICI)

LICI is a name which has been synonym with life insurance before the liberalisation of the sector in the year 2000. The Life Insurance Corporation (LICI) of India is a State-owned autonomous body with head office in Mumbai and was formed
by consolidation of the life insurance business of 245 private life insurers and other entities. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with the aim to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost. Since then LICI has spearheaded the financial and infrastructure development of the nation. The performance of LICI has been exemplary and it has been growing from strength to strength be it customer base, agency network, branch office network, and the like. LICI has played a significant role in spreading life insurance among the masses and mobilisation of people's money for people's welfare. It started with a Life fund of Rs.380.61 crores in September 1956 which has grown leaps and bounds to Rs.8, 07,317.43 crores as on end March 2009. The capital of the company remained at Rs.5 crore as at end March 2009.

LICI is termed as the world's largest insurance company with 25.78 crore customers and over 13 lakh agents. It continues to be the dominant life insurer even in the liberalised scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. From then to now, LICI has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The organisation is an institution builder and has been a prime force behind setting up of the National Stock Exchange, Stock Holding Corporation of India, NCDEX, LICI Mutual Fund, National Insurance Academy, Insurance Institute of India etc., It has been a pioneer in technology adoption and usage. It uses advanced WAN, LAN and EDMS. The objective of EDMS is to make the
organisation as a paperless office enabling it to serve policyholders from any branch across the country. The organisation is the second largest PC user in the country.

4.5.1 Vision and Mission:

The vision of the organisation is to be, "A trans-nationally competitive financial conglomerate of significance to societies and Pride of India."

Its mission is to, "Explore and enhance the quality of life of people through financial security by providing products and services of aspired attributes with competitive returns, and by rendering resources for economic development."

4.5.2 Business Performance:

The premium collected by LIC (Rs.1,49,789.99 crore) for the year 2008-09 is nearly thrice the amount collected by all the private players put together. Despite global recession, insurance major Life Insurance Corporation of India's (LICI) total fund rose to over Rs. 8,07,317.43 crore in 2009 from Rs 380.61 crore in 1956, when it was nationalised. In the financial year 2008-09, the LICI has insured 3.58 crore persons to earn 3.90 lakh crore premium income. LIC's total premium income for the fiscal 2008-09 was Rs.1,57,186 crores. Pension & Group Schemes procured Rs.12,507 crores of New Business Premium Income under 15,851 schemes and 2.07 crores of lives. In 2008-09, micro insurance continued to be dominated by Life Insurance Corporation of India in terms of the number of schemes launched and premiums collected compared with private players. In 2008-09, out of the Rs.206 crores collected by the insurance industry from micro insurance group schemes, LIC collected Rs.173 crore representing 83.98 per cent of industry share and in the case of the individual segment out of the total collections of Rs.36 crore, LIC's collections were Rs.31 crore accounting for 86.11 per cent of industry share.
The business in force as on end March 2009 was 25.78 crore policies with a sum assured of Rs.20,37,531 crore in case of individual assurances and 6.47 crore lives and Rs.4,17,552 crore sum assured in case of group policies. The premium sourced through alternate channels was 1.94 per cent 2.66 per cent in terms of first premium income for the year 2008-09.

4.5.3 Claims Settlement:

LICI has one of the best claims settlement ratios among the companies operating in the life insurance space. Every 2.21 seconds a claim is settled by the organisation. For the year 2008-09, it had settled over 149 lakh claims amounting to Rs.37,893 crores. For the five year period 2004-09, on an average, 97 per cent of maturity claims are settled on or before the date of maturity and 93.22 per cent of non early death claims are settled within 20 days.

4.5.4 Profitability and Market Share:

LICI is the only company to remain profitable for the entire period under study of 2004-09. Except in the year 2005-06, when profits declined from Rs.70,836.5 crore to Rs.63,158.01 crore, in all the other years, the profits of the company have increased. A noteworthy factor is that during 2008-09, when the insurance industry was impacted because of the global financial crisis, the company continued its profit earning streak. The life insurance industry posted a loss of Rs 4,878 crore in the financial year 2008-09, as against a loss of Rs 3,413 crore in 2007-08, and Losses incurred by the industry were 43 per cent higher as compared to the earlier fiscal. Only four companies apart from LICI were able to earn profits and LICI increased its profits by 13 per cent to Rs.957 crore in 2008-09 as compared to Rs.845 crore earned in the previous year. The capital of the company remained at Rs.5 crore as at end March 2009.
Even after nine years of competing with the private sector, LIC represents continued to remain the market leader in terms of market share. As on March 31, 2009, LIC's market share in premium was 60.79 per cent and in policies 70.52 per cent.

4.5.5 Corporate Social Responsibility of LIC:

The Public sector major has sanctioned projects worth Rs. 15.44 crore and the disbursements on these projects are being done in installment basis depending upon the progress of the said projects. It has supported NGOs who are working in remotest village in North-East, to tribal areas of Kangra District of Himachal, to remotest villages in Palakkad, Bheemanad in Kerala and Bhuj in Extreme West to Magrahat in remotest Eastern India. The objective has been to reach to the remotest villages ensuring a Pan India Presence.

4.5.6 Distribution Network:

Beginning with 5 zonal offices, 33 divisional offices and 212 branch offices, LIC of India today is the largest life insurance company in India with 8 zonal offices, 109 divisional offices, 2048 branch offices, over 1000 satellite offices and a network of over 10 lakh agents. LIC's International Expansion extends to 12 countries including Dubai (UAE), Singapore, Kuwait, Bahrain, Oman, Qatar, UK, Kenya, Mauritius, Fiji, Nepal and Sri Lanka to market LIC's Life Insurance Schemes to the NRI as well. LIC's Wide Area Network covers 109 divisional offices and connects all the branches through a Metro Area Network.

4.5.7 Competitive Strategies:

(i) The company has been very active in the product front and has been able to add or replace products based on customer preferences. An instance is the withdrawal of Money Plus and replacing it with Fortune Plus. The company had received feedback that policyholders showed a marked preference for schemes where
they do not have to pay premium for several years. Therefore it replaced Money Plus with Fortune Plus, another unit-linked plan with much more flexibility with respect to premium payment. This measure of actively listening to consumer feedback and fine tuning products has not only resulted in increased business but also resulted in higher customer satisfaction.

(ii) With a view to tap the online medium for marketing its policies, as a first step, LIC has tied up with the insurance portal Policy Bazaar.com to sell its policy Jeevan Aastha online. Consumers are able to get the details of the policy online and make purchases and considering the growing number of hits, this medium is expected to contribute growing business.

(iii) With 25 life insurance companies in the market selling almost similar products, the distinguishing factor of companies would be on the competence level of agents. With a view to improve the knowledge base and productivity of its agency force, the organisation organizes a training program for agents, called ‘post-recruitment orientation’. 7 lakh agents have been trained so far and agent productivity has gone up by 30 per cent. It has also empowered its agents to collect premiums and issue valid receipts so that there are an additional 10,000 points through which premiums can be paid.

(iv) To leverage the strength of its high performing agents and to attract new talent in the face of growing competition from private insurers, it has operationalised the Chief Life Insurance Advisors scheme. These agents will be offered a five year contract and remuneration (on a variable basis) for identifying at least five suitable candidates for recruitment as agents. The new candidates will get trained and be placed under the supervision of the Chief Life Insurance Advisor. The SBU which is called “Chief Life Insurance Advisors” works on a new model. As per this model,
LICI will choose some of its high performing insurance agents and offer them the opportunity to be “Chief Life Insurance Advisors”. This model has been successful considering the increasing amount of business generated in a short time and has also served as a retention and motivation tool for its existing agents.

(v) Taking into account the fact that more than 650 million of India’s population lives in rural areas, LICI has launched 10 new products, targeting agricultural labours, landless labourers and small land owners. These policies offer upto Rs.30,000 life cover and Rs.75,000 accident cover. The premium structures have been tailor made for people without a regular income. For example, a landless labourer signing up for the recently launched Aam Aadmi Bima Yojana can pay at little at Rs.25 a week to avail a cover of Rs.5,000. It has also tied up with a number of grass roots organisations for collection of premium.

(vi) To increase penetration in the underserved rural areas which have high growth potential, it has started branch offices, recruiting development officers and agents and by implementing the Rural Career Agent (RCA) scheme. Any person in a rural area aged between 18 and 35 years with minimum qualification of tenth standard can become a RCA after receiving 100 hours of training. The RCA’s are eligible for a stipend of Rs.750 per month in the first agency year, and Rs.600 per month in the next year along with commission. It has also introduced Bima Gram scheme, a rural marketing strategy to penetrate deep into rural areas for tapping rural business systematically and for more coverage in rural areas especially in villages with population of less than 5,000.

(vii) It has launched the ‘Corporate Active Data Warehouse (CADW)’, the world’s largest warehouse in the life insurance sector and world class data centre to house its entire IT infrastructure relating to its core Applications. The CADW has
been fed with data related to 28 crore policies and their transactions over the past five years of which 19 crore policies are live. The project provides a 360 degree of customers across product lines and their buying patterns and preferences enabling the company to tailor their marketing campaigns in an effective manner. It will also help in the performance appraisal of various channels, improve product innovation, provide better differentiation and enable lead generation, cross selling and up selling.

(viii) To enable seamless operations across branches as well as enhance customer service levels, it has entered into an agreement with HP India to dematerialise all administrative files and records pertaining to the existing 200 million customers as well as records of new customers added from new business. The Enterprise Document Management System (EDMS) is being implemented starting with metros. Once the exercise is completed, the policy holder will not have to request for his records to be physically transferred if he moves to another city since it will be done instantaneously through the electronic mode.

(ix) The insurance major has been aggressively deploying IT to benefit from the increased usage of technology with a view to improve productivity, reduce costs, enable seamless delivery of services and enhance customer satisfaction. It has brought a complete integration of all activities connected with the processing of new business from proposal to adjustment of first premium to ultimately issue of policy documents. Similarly, loans and surrender value module, policy revival module, claims module were also introduced. Now revival quotations, policy quotations and maturity claim intimation letters are instantly generated providing the customers instant services. Due to the installation of MAN (Metropolitan Area Network) and WAN (Wide Area Network), policy holders are able to pay premiums anywhere in the country.
(x) As a customer responsive measure to provide ready access to information from the place of their convenience, LIC has set up INFO CENTERS in 15 major cities. The INFO CENTERS provide information on products, policy status, policy servicing, telephone numbers and addresses of offices and any other information the customer would want. The INFO CENTERS and IVRS have been integrated and can be accessed through a Universal Access Number.

(xi) Since providing a platform for grievance redressal and speedy redressal of grievances are key criteria of service efficiency and service recovery, the organisation has set up Policyholders’ Grievance Redressal Cells in all its offices. These cells are headed by Senior Officers who can be approached by policyholders on any day for redressal of their grievances. As an additional channel, policyholders are also provided the facility of toll-free telephone systems in Delhi and Mumbai as well as contact the organisation through its website.

(xii) LIC has been hosting on a regular basis campaigns such as ‘Relationship Renewal Programme’ and ‘Customer Contact Programme’. These programs serve as a forum to understand the needs and customer requirements which act as valuable inputs for design of customer relevant products and services as well as make the organisation’s processes more customer friendly. By doing so, the organisation strengthens the bond with its customers.

(xiii) With a vision to widen its distribution channel and provide easy access to its policyholders, LIC has launched over 1,000 ‘Satellite Offices’. These satellite offices are attached to the respective parent branches and facilitate the provision of quick services to policy holders relating to processing of new proposals and collection of renewal premium.
(xiv) The organisation has started a new channel, 'Direct marketing' to explore the new age marketing through digital campaigning and online marketing generating business leads. Initially operations have been started at six centers, i.e. Bangalore, Delhi, Ernakulam, Hyderabad, Kolkatta, & Mumbai. Now, buying an LIC is just a click away for a prospective buyer. A visit to LIC's portal & registration of details thereon makes it possible for him to get the professional advice / desired service within a few hours.

(xv) The website (www.licindia.com) contains a wealth of information enabling prospective investors make informed choices. It has been made interactive with features like ‘On line Premium Calculation’, ‘On line Bonus Calculation’, ‘On line Forms’ etc. The site also includes a feature on ‘Frequently Asked Questions by Non Resident Indias’. The page ‘Contact Us’ provides all addresses/email ids of its Zonal Offices, Zonal Training Centres, Management Development Centres, Overseas Branches, Divisional Offices and also Branch Offices to aid communication. Information is available on the website in Hindi also. In this age of increased emphasis on online marketing, the LIC website is definitely an important building block of competitive advantage.

(xvi) Among all the life insurers, LIC provides the widest range of premium payment options enhancing customer convenience and reducing the scope for defaults and lapsations. Customer can pay their premiums through Electronic Clearance System, Electronic Bill Presentation and Payment, through ATM's of Corporation Bank and Axis Bank, Online premium payment on LIC Website, www.licindia.in with the help of Net Banking Facility of 33 major Banks, through APOnline, a joint venture between the AP State Government and Tata Consultancy Services which has 250 franchises in the twin cities and more than 1,000 franchises across the state,
through MPOnline, a joint venture between the Madhya Pradesh State Government and Tata Consultancy Services having a presence in almost every mandal, through Suvidha Infoserve Pvt. Ltd., which has over 3,000 collection centres across the country, through Tick Business Solution Pvt. Ltd (TBS), an E-Commerce Co. engaged in offering citizen oriented services which has over 2,000 outlets across the country, payment through chairman club members and Chief Life Insurance Advisors in over 6,000 outlets,

(xxiv) LIC has extensive training facilities at all levels. At the apex, it has Management Development Institute, seven Zonal Training Centres and 35 Sales Training Centres. It has an MOU with IIT(Chennai), for training its officials in the areas of information technology, systems management and IT enabled services management. For the period 2004-09, the organisation has sponsored its management personnel for training programs in premier management institutions both within and outside India. The continued focus on training and development enables the company to have management bandwidth of a scale and size that only private life insurers can aspire for and serves as a strong base for the sustained growth of the organisation.

4.5.8 Analysis of the Case 5:

The performance of LIC has been exemplary and it has been growing from strength to strength be it in terms of customer base, agency network, branch office network, and the like. LIC has played a significant role in spreading life insurance among the masses and has been instrumental in mobilisation of people’s money for people’s welfare. With the entry of private insurers for almost a decade now, amidst competition, LIC continues to be the frontrunner in the industry with market share of 60.79 in terms of premium and 70.52% in terms of policies as at 31.3.2009.
In the five year period (2004-09), single premium policies of private players, compared with first year premiums, have seen a gradual fall to 9 per cent from 24 per cent. On the contrary, LIC's single premium policies' share to other policies grew to 59 per cent for the eleven months of 2008-09, from 40 per cent in 2005-06. LIC's single premium policies had overtaken the other policies premiums at Rs 25,048 crore compared with first year premium incomes of Rs 23,583 crore in 2007-08.

The entry of private competition has in fact helped the organisation to better its performance. From 1994-95 to 1999-2000, it grew at a rate of 8.32% in policies and 22.07% in first premium income, whereas after the entry of competition, i.e. after 2001, both growth rate in policies and first premium income were substantially higher at 11.43% and 41.07%. For the year 2008-09, the life insurance industry posted a 16.5 per cent growth. While LIC grew at 24 per cent, the private players grew by 5 per cent. In absolute terms, LIC's premium earnings have grown by Rs.86,256.56 crore in the last five years and in percentage terms the increase was 135.77 per cent. In the case of the private players in absolute terms the premium earnings have increased by Rs.48,441.09 crore in the past five years but in percentage terms, the increase was 1552.44 per cent because of the low base. It is therefore evident that inspite of entry of private players LIC continues to be the number one player in terms of absolute premium earned.

Though LIC continues to be the dominant player in the industry the decline in first year premium from Rs.59,996.57 crore to Rs.53,179.08 is a cause for concern. Earlier, the minimum requirement for agents was to insure only 12 lives a year but from August last year, the requirement has been revised to collect first year annualised premium over Rs 1 lakh. This move would weed out the inactive agents.
from the system, further improve the productivity of the active agency force as well as increase the New Business Income (NBI) of the organisation.

Among the companies operating in the life insurance space, LIC is one of the very few institutions that pays interest on pending maturity claims which is an indication of its customer friendly approach.

With its wide range of premium payment options, LIC provides the most option among private life insurers. As at 31.3.2009 an amount of Rs. 1996.02 crores of premium was collected under 65.83 lakh transactions under the above alternate channels of premium payments. Apart from increasing ease and convenience of premium payment to the customers, this also brings down the defaults and the resulting lapsations ensuring better profitability.

The Chief Insurance Advisor Channel, an innovative measure to motivate the agency force as well as ensure training from agents having real time experience in marketing has been an unqualified success as revealed by the numbers. In the first year of operation of the scheme (2008-09), 10,99,547 policies have been sold through this channel representing 3.06 percentage of the total policies sold earning a first premium income of Rs.1100.71 crore representing 3.11 per cent of the total first premium income earned by the company. This scheme holds great potential to drive the business growth of the company in the years to come and is also expected to improve productivity, with the agents working under the supervision and mentorship of the chief life insurance advisors, they say. “With the opening up of the insurance industry, we need a much wider agency base,” a senior official at LIC said. LIC is expected to recruit 3.6 lakh new agents in the country this year and the agent base is expected to double in three years.
In case of micro insurance claim settlement, LIC continued to have better claim settlement compared with private players. About 98 per cent claims under the group category were settled within 30 days by LIC while private players settled 84 per cent of claims for the same period. In case of individual claim settlement the gap was narrow between the Public insurer and private players. LIC settled 60 per cent of the total claims within 30 days and private insurers settled 57 per cent of the claims.

The organisation has recorded the highest growth rate among life insurers with regard to growth in new business of micro insurance. Number of policies increased by 80.34 per cent, sum assured increased by 82.21 per cent and First Premium Income (FPI) grew by 92.38 per cent. Considering the fact that the micro agency strength has also increased by 59.55 per cent as well as the organisation's focus on marketing micro insurance products in the urban areas, it is poised to remain a leader in this space and generate increased revenue.

The organisation's plan to renew policies that lapsed more than five years ago has generated a good response. Since acquisition of new customers is quite difficult given the competitive pressures in the industry, this move would lower costs, increase renewal premiums and improve profits.

Though the organisation has been a pioneer in introducing and marketing micro insurance products, its four urban divisions contributed a mere 8 per cent in the segment. Since the urban poor are also an important target market for these products, marketing efforts needs to be improved in the urban areas. The organisation should co-ordinate with the NGOs, self-help groups and other micro finance institutions to concentrate on the BPL segment in the cities.

The launch of the LIC credit card would further strengthen the relationship the organisation has with its customers. It would enable the organisation to leverage
the large customer base, strong brand, wide distribution network of LIC to provide value added service to its customers and help it to realise the vision of emerging as a trans-nationally competitive financial institution.

To stay competitive in the insurance business, one of the key focus area and differentiator is the knowledge and empowerment of agents. LIC spends Rs.70 crore to train its agents through its 33 sales training centres, which is highest training expenditure among all life insurers. The move to further increase the training budget is expected to further improve the knowledge and skill base of the agency force, enable it to bring in more business thereby improving the revenues and profitability of the organisation.

On a comparative basis, LIC has the lowest commission expenses ratio, which is the ratio between commission expenses and the premium underwritten for the period 2004-05 to 2008-09. The decline of this ratio to 7 per cent in 2008-09 from 7.30 per cent of 2007-08 is noteworthy and would further reduce the operating expenses ratio resulting in better profit margins.

Based on productivity of marketing of the marketing force, LIC is in a strong position. In terms of productivity of unit managers, it improved from Rs.123.68 lakh in 2007-08 to Rs.171.24 crore in 2008-09 and it is ranked number one. Agent productivity also improved from Rs.2.28 lakhs to Rs.3.57 lakhs and the organisation was ranked second. One of the important reasons for the stellar performance is the continued focus on training and development with the organisation organizing training programs both within and outside India.

The organisation has the highest number of corporate clients in Group insurance Schemes and has the biggest portfolio of Group insurance schemes available. The renewal premium in case of group insurance policies is much higher
than individual policies and the lapsation rates are very minimal. This helps ensuring
stability of premium incomes and considerably reduces the risk of volatility in
revenues.

Among the companies considered for the purpose of the study, the Public
sector company LICI has the lowest solvency ratio indicating lower ability to meet its
long term obligations. Though the solvency ratio of the company has shown a
marginal improvement over the years (1.3 in the year 2006-07, 1.5 in 2007-08 and
1.52 in the year 2008-09), it has to improve its solvency position considerably.

The company has adopted well thought out strategies to ensure that its
advertising messages reach the desired target audience in an effective manner. The
scientific studies that it has undertaken in the past few years to look at its target
audience has enabled the company to advertise and undertake sales promotion and
sponsorship activities which have maximum impact. The company says that the Rs 2
crore it spent on the Internet has been successful in reaching the urban middle and
upper class.

The expense to management ratio has declined from 17.55 in 2004-05 to 12.14
in 2008-09 and the commission ratio has also declined from 8.75 in 2004-05 to 6.42
in 2008-09. This is a welcome sign indicate better efficiency in expense management
and better profit earning capacity.

While many private competitors procure more than 30 per cent of their
business through alternate channels, LICI is not even able to source 3 per cent of its
business through such channels. Since the cost of procuring business through alternate
channels is comparatively lower, the organisation has to renew its efforts and
strengthen its distribution network in order to reduce costs and improve profitability.
When compared to the many of the large number companies in the private sector which have lapsation rate of more than 25 per cent, the lapsation rate of LIC is just 4 percent. High lapsation rates results in losses to the insured as well as instability of income to the insurance companies. The low lapsation rate while ensuring stability of revenues is also an indicator of customer satisfaction.

In 2008-09, the industry posted a negative growth of 7.16 per cent in fresh business premium. While the largest life insurer, Life Insurance Corporation of India, was able to increase its profits, most of the private players continued to incur huge losses. LIC's profit increased 13 per cent to Rs 957 crore in 2008-09, from Rs 845 crore in 2007-08. Among the life insurance companies, LIC is the only company to earn profits on a consistent basis. The organisation earned a profit of Rs.708.36 crore in 2004-05, Rs.631.58 crore in 2005-06, Rs.774 crore in 2006-07, Rs.845 crore in 2007-08 and Rs.957 crore in 2008-09. A pertinent point to note is that except for the year 2005-06 when profits declined, in all the other years, the profits of the organisation has shown an increasing trend.

4.6 Cross Case Analysis

In order to have a clearer picture of the competitive dynamics of the insurance sector, cross case analysis of the companies with a view to depict the comparative picture on certain parameters of their strategies as detailed below has been taken up.

The following parameters were considered for the cross case analysis:

(i) Growth Rate of Number of New Policies.

(ii) Total Number of New Policies.

(iii) Total Business in Force in Terms of Policies.

(iv) Total Number of Life Policies in Force.

(v) Total Number of Annuity and Pension Policies in Force.
(vi) Total Number of Non Linked Health Policies in Force.

(vii) Total Number of Linked Policies in Force.

(viii) Total Number of Linked Health Policies in Force as on 31.3.2009.

(ix) Total Business in Force (Sum Assured in Rs. Crore) as on 31.3.2009.

(x) Total Life Policies in Force (Sum Assured as on 31.3.2009).

(xi) Total Annuity Policies in Force (Sum Assured as on 31.3.2009).

(xii) Total Health Business in Force (Sum Assured as on 31.3.2009).

(xiii) Total Linked Business in Force (Sum Assured as on 31.3.2009).


(xvii) Total Life Insurance Premium.

(xviii) First Year (Including Single Premium).

(xix) First Year Premium.

(xx) Renewal Premium.

(xxi) Single Premiums.

(xxii) Introduction of New Products/Riders.

(xxiii) Insurance Products Offered.

(xxiv) Rider Options.

(xxv) Range of Payment Options Offered.

(xxvi) Proportion of Business Generated through Bancassurance Channel.

(xxvii) Proportion of Business Generated through Alternate Channels.

(xxviii) Surplus Generated from Operations.

(xxix) Number of Agents.

(XXXX) Profits and Losses.
(xxxii) Grievances Pending (As Percentage of Reported Grievances).

(zzxiii) Returns Generated by ULIPs.

(zzxvi) Solvency Ratio.

(zzxiv) Proportion of Renewal Premium in Total Premium.

(zzxv) Contribution of Rural Business.

(zzxvi) Overall Expenses Efficiency.

(zzxvii) Capital Efficiency.

(zzxxviii) Operating Efficiency.

(zzxix) Income Efficiency.

(zzxx) Actuarial Efficiency.

(zzxxxi) Marketing Efficiency.

(zzxxviii) Lapse Ratio.

(zzxxiii) Business Productivity of Agents.

(zzxxiv) Business Productivity of Unit Managers.

4.6.1 Growth Rate of Number of New Policies:

Bajaj Allianz with an average growth of 179.23 per cent recorded the highest
average growth among the sample companies during the study period of 2004-09.
ICICI Prudential with an average growth rate of 75.88 per cent is ranked second, Birla
SunLife is ranked third with an average growth rate of 67.89 per cent, HDFC
StandardLife with an average growth rate of 54.62 per cent is ranked fourth while
LICI with an average growth rate of 18.09 per cent is ranked last.

4.6.2 Total Number of New Policies:

LICI is the number one company with sales of 17,02,51,769 policies during
the period 2004-09. ICICI is ranked second with sales of 95,36,443 policies, Bajaj
Allianz is ranked third with 93,86,143 policies being sold, HDFC StandardLife is
placed in the fourth position with sales of 30,27,459 policies while BSLI is ranked last with sales of 29,55,141 policies.

4.6.3 Total Business in Force in Terms of Policies:

LICI is ranked number one both among the companies considered for the study and in the industry with 25,78,23,000 policies in force as on 31.3.2009 representing 88.47 per cent of the total number of policies in force in the industry. Bajaj Allianz is ranked second with 75,42,000 policies in force accounting for 2.59 per cent of the total number of life policies in force, ICICI Prudential is ranked third with 64,49,000 policies accounting for 2.21 per cent of the total policies in force, HDFC StandardLife with 27,44,000 policies representing 0.94 per cent of the policies in force is ranked fourth while BSLI with 24,23,000 policies accounting for 0.83 per cent of the industry’s policies in ranked fifth among the sample companies and seventh in the industry. When the life insurance industry is considered, while LICI has maintained its number one position during the entire period of the study, Bajaj Allianz which was in the third position during 2004-07 improved its position to the second position from 2007-08. BSLI which was in the fifth position in 2004-05 moved to the sixth position in 2005-06, eighth position in 2006-07 and 2007-08 before moving to the seventh position in 2008-09. HDFC StandardLife which was in the fourth position during 2004-08 slipped to the fifth position in 2008-09 and its industry share has shown a marginal increase from 0.46 per cent in 2004-05 to 0.94 per cent in 2008-09. Among the companies considered for the study, the highest growth rate in industry share was recorded by Bajaj Allianz which increased its share by more than five times from 0.51 per cent in 2004-05 to 2.59 per cent in 2008-09 and the only company which reported decrease in market share is LICI whose market share declined from 98.1 per cent in 2004-05 to 88.41 per cent in 2008-09.
4.6.4 Total Number of Life Policies in Force:

LICI is ranked number one with 25.78 crore of life policies in force as on 31.3.2009 representing 97.1 per cent of the total number of life policies in force in the industry. ICICI Prudential is ranked second with 13,13,000 life policies in force accounting for 0.6 per cent of the total number of life policies in force, HDFC StandardLife is ranked third with 12,44,000 policies accounting for 0.5 per cent of the total life policies in force, Bajaj Allianz with 7,21,000 policies is ranked fourth with 0.33 per cent of the policies in force while BSLI with 6,76,000 policies accounting for 0.24 per cent of the policies is ranked fifth. Considering the life insurance industry, LICI has remained the number one company in terms of maximum number of life policies in force during the entire study period. ICICI Prudential which was ranked third during 2004-07 improved its position to the second position during 2007-09 while HDFC StandardLife which was in the second position next only to LICI during 2004-07 was displaced by ICICI Prudential and moved to the third position during 2007-09. Birla SunLife which was in the ninth position during 2004-07 moved to the eighth position in 2007-08 and further improved to sixth position in 2008-09. LICI has recorded the highest growth rate with its life policies in force increasing by over 15 times from 2004-05 to 2008-09 while the remaining four companies considered for the study have grown by three to four times.

4.6.5 Total Number of Annuity and Pension Policies in Force:

Among the companies considered for the study, BSLI does not have any annuity or pension policy in force. LICI with 27,89,000 policies has 88.24 per share industry share and is the top ranked company, HDFC StandardLife with 79,000 policies has 2.49 per cent share and is ranked second among the sample companies and third in the industry, ICICI Prudential with 57,000 policies in force has 1.80 per
cent share in the industry and is ranked third among the companies considered for the study and fifth in the industry while Bajaj Allianz with 7,000 policies has 0.22 per cent industry share, is ranked fourth among the companies in the sample and ranked seventh in the industry. LIC has remained the number one company in the industry for the entire study period. HDFC StandardLife which was in the second position in the industry during 2004-06 moved to the third position during 2006-09 while ICICI Prudential which occupied the fourth position in the industry for the four year period 2004-08 slipped to the fifth position in 2008-09. Bajaj Allianz which was in the ninth position in the industry during 2004-06 moved to the eighth position in 2006-07, and to the seventh position during 2007-09. Among the companies considered for the study, the only company which reported decrease in the number of general annuity and pension policies is LIC from 28,68,21,000 policies in 2004-05 to 27,89,000 policies in 2008-09.

4.6.6 Total Number of Non Linked Health Policies in Force:

ICICI is the number one company both among sample companies and in the industry with 2,17,000 health policies in force as on 31.3.2009 with 42.05 per cent of industry share, Bajaj Allianz has 93,000 policies in force with 18.02 per cent industry share and is ranked second among sample companies and third in the industry, HDFC StandardLife with 17,000 policies in force has 3.3 per cent industry share and is ranked third among the sample companies and fifth in the industry. LIC which had 1,02,000 policies with a market share of 20.65 per cent in 2007-08 did not have any policy in 2008-09. BSLI had 10,000 policies in 2008-09 and was placed fourth among the sample companies and sixth in the industry.
4.6.7 Total Number of Linked Policies in Force:

LICI is the top ranked company both among the companies considered for the study and in the industry with 4,46,82,000 policies translating to 63.88 per cent of industry share, Bajaj Allianz with 67,21,000 policies is ranked second both among the sample and in the industry with 9.61 per cent industry share, ICICI Prudential has 48,26,000 linked policies in force accounting for 6.90 per cent of industry share and is ranked third, Birla SunLife has 17,37,000 policies in force with 2.48 per cent industry share and is ranked fifth among the sample companies and sixth in the industry, HDFC StandardLife with 14,04,000 policies in force holds 2.01 per cent of industry share and is ranked fifth among the sample companies and seventh in the industry. While LICI maintained its number one position in the industry and among sample companies during the entire study period its industry share declined from 70.57 per cent in 2006-07 to 64.13 per cent in 2008-09 though the absolute number of policies increased. ICICI Prudential which was ranked second in the industry and among sample companies during 2004-06 slipped to the third position during 2006-09 and its industry share also declined from 17.05 per cent in 2005-06 to 6.9 per cent in 2008-09. HDFC StandardLife which was in the fifth position in 2005-06 improved to the fourth position in 2006-07 before declining to the seventh position in the industry in 2007-09 and its market share also declined to 3.21 per cent in 2005-06 to 2.01 per cent in 2008-09. Bajaj Allianz which was in the third position in the industry during 2004-06 improved to the second position during 2006-09 and its industry share improved to 9.61 per cent in 2008-09. While the industry share of all the companies have improved, the share of LICI has decreased during the study period from 98.54 per cent in 2004-05 to 96.54 per cent in 2008-09 but there has been an absolute increase in the number of policies in force from 16.30 crore policies in 2004-05 to
21.01 crore policies in 2008-09. The highest growth among the sample companies was recorded by HDFC StandardLife whose Linked policies in force increased by over 6 times from 2,33,400 policies in 2004-05 to 14,04,000 policies in 2008-09.

4.6.8 **Total Number of Linked Health Policies in Force as on 31.3.2009:**

Among the companies considered for the study, only LIC India and ICICI Prudential have linked health policies in force. LIC India is the number one company both among the sample and in the industry with 1,98,000 policies accounting for 64.24 per cent of the industry share and ICICI is ranked second among the sample and third in the industry with 37,000 policies representing 12.01 per cent of the industry share.

While LIC India has Linked Health Policies in its portfolio from 2007-08, ICICI Prudential has them only from 2008-09.

4.6.9 **Total Business in Force (Sum Assured in Rs. Crore) as on 31.3.2009:**

LIC India is the top ranked company both among the companies considered for the study and in the industry with sum assured of Rs.20,37,531 crore translating to 88.33 per cent of industry share. LIC India remained the number one company for the entire study period. Bajaj Allianz with sum assured of Rs.1,98,477 crore is ranked second both among the sample and in the industry with 6.81 per cent industry share, ICICI Prudential is placed in the third position with sum assured of Rs.1,61,595 crore is ranked third, accounting for 5.55 per cent of industry share, Birla SunLife is ranked fourth with sum assured of Rs.89,551 crore with industry share of 3.07 per cent while HDFC StandardLife with industry share of 2.39 per cent and sum assured of Rs.69,640 crore is ranked fifth among the sample companies and sixth in the industry. While LIC India and HDFC StandardLife have maintained their respective positions during the entire study period, BSLI which was ranked seventh during 2006-07 has substantially improved its position over the years to reach the fourth position in 2008-
09. ICICI Prudential which was ranked second during 2004-07 slipped to the third position from 2007-08 and remained there in the next year also. Bajaj Allianz which was in the third position during 2004-07 improved its performance to second position from 2007-08. The highest increase in industry share during the study period was recorded by Bajaj Allianz whose share in business in force based on sum assured increased by 4 times from 1.7 per cent in 2004-05 to 6.81 per cent in 2008-09. While all the other companies considered for the study increased their market share during the study period, the market share of LICI decreased from 86.96 per cent in 2004-05 to 83.3 per cent in 2008-09.

4.6.10 Total Life Policies in Force (Sum Assured as on 31.3.2009):

LICI is ranked number one among the sample companies and in the industry with sum assured of Rs.17,84,880 crore in force as on 31.3.2009 representing 90.95 per cent of industry share. ICICI Prudential is ranked second among sample companies and third in the industry with sum assured of Rs.28,914 crore accounting for 1.4 per cent of industry share. HDFC StandardLife is ranked third among sample companies and fourth in the industry with Rs.22,251 crore of sum assured representing 1.13 per cent of industry share. Bajaj Allianz with 0.77 per cent industry share is ranked fourth among sample companies and fifth in the industry while Birla SunLife with sum assured of Rs.4,830 crore accounts for 0.24 per cent of industry share and is ranked fifth among sample companies and twelfth in the industry. LICI continued to remain the number one company both among the sample companies and in the industry for the entire study period but its market share declined marginally from 94 per cent in 2004-05 to 90.95 per cent in 2008-09. ICICI Prudential occupied the second position among the sample companies during the entire study period but slipped from the second position which it occupied in 2004-06 to the third position in
2006-09 on an industry wide basis. Its market share which was 0.97 per cent in 2004-05 improved to 1.47 per cent in 2008-09. HDFC StandardLife which was in the third position in 2005-06 slipped to the fourth position in the industry during 2006-09 but its market share improved from 0.72 per cent in 2004-05 to 1.13 per cent in 2008-09. Bajaj Allianz occupied the fourth position among the sample companies and the fifth position in the industry for the entire study period and its market share which was 0.71 per cent in 2004-05 improved to 0.77 per cent in 2008-09. While the highest growth rate was recorded by HDFC StandardLife whose sum assured in terms of life policies increased by 2.73 times from Rs.8,152.68 crore in 2004-05 to Rs.22,251 crore in 2008-09 the lowest increase was recorded by LIC whose growth rate during the said period was 1.67 times. The only two companies whose industry share declined were LIC from 94 per cent in 2004-05 to 90.95 per cent in 2008-09 and Birla SunLife from 0.26 per cent in 2004-05 to 0.24 per cent in 2008-09.

4.6.11 Total Annuity Policies in Force (Sum Assured as on 31.3.2009):

LIC occupied the number one position among the sample companies and the industry but its share in the industry declined from 93.56 per cent to 90.17 per cent and there was a decrease in the absolute numbers also with the amount of sum assured declining from Rs.63,786.70 crore in 2004-05 to Rs.46,964 crore in 2008-09. ICICI Prudential was in the second position both among sample companies as well as in the industry during the entire study period. Though its market share inched up from 2.28 per cent in 2004-05 to 3.02 per cent in 2008-09 there was only a marginal increase in its sum assured which increased from Rs.1,557.22 crore in 2004-05 to Rs.1,569 crore in 2008-09. HDFC StandardLife with sum assured of Rs.1,502 crore in 2008-09 was in the third position with 2.88 per cent market share. The sum assured of the company increased from Rs.1,447.97 crore in 2004-05 to Rs.1,502 crore in 2008-09 and this
was reflected in its industry share which increased from 2.12 per cent in 2004-05 to 2.88 per cent in 2008-09.

Bajaj Allianz was in the fourth position among the sample companies during the entire period of the study while its industry position declined from fifth position in 2005-06 to the seventh position during 2006-09. The sum assured under annuity and pensions increased from Rs.216.81 crore in 2004-05 to Rs.226 crore in 2008-09 with its industry share increasing from 0.32 per cent in 2004-05 to 0.43 per cent in 2008-09. Birla SunLife did not have annuity and pensions business in its portfolio.

4.6.12 Total Health Business in Force (Sum Assured as on 31.3.2009):

ICICI Prudential occupied the first position both among sample companies and the industry based on sum assured as on 31.3.2009. Its sum assured of Rs.35,085 crore translates into a market share of 79.49 per cent and was a substantial improvement when compared to the Rs.55.07 crore of sum assured held in 2005-06. Bajaj Allianz which entered the health insurance business in 2007-08 was in the second position among the companies considered for the study for the study period 2007-09 and on an industry wide basis was in the fifth position in 2007-08 with sum assured of Rs.339 crore and improved to the third position with sum assured of Rs.2,329 crore in 2008-09. Its industry share increased from 0.92 per cent in 2007-08 to 5.28 per cent in 2008-09. LIC which had Rs.3744 crore in sum assured in 2007-08 with industry share of 10.22 per cent did not have any policy in force in 2008-09. Birla SunLife Insurance with sum assured of Rs.766 crore as on 31.3.2009 was in the third position among sample companies and fifth in the industry with industry share of 1.74 per cent. HDFC StandardLife with sum assured of Rs.408 crore with industry share of 0.92 per cent was ranked fourth in the industry and sixth among the companies in the industry.
4.6.13 Total Linked Business in Force (Sum Assured as on 31.3.2009):

LICI with an industry share of 23.45 per cent and sum assured in force of Rs.1,98,470 crore is the leader among the sample companies as well as in the industry. The organisation which was in the sixth position in the industry and second among the companies considered for the study in 2005-06 has considerably improved its performance to become the leading company in the industry from 2006-07. It sum assured which was Rs.7,821.37 crore has increased by over 18 times in the four year period 2005-2009. Bajaj Allianz is the second among the sample companies and the industry with sum assured in force of Rs.1,80,727 as on 31.3.2009 and an industry share of 21.36 per cent. The company has been in the second position in the industry throughout the entire study period, its sum assured has increased by over 29 times from Rs.6,150.43 crore in 2004-05 which is the highest growth rate recorded by the companies considered for the study and its industry share has shown a consistent increase to reach 21.36 per cent in 2008-09. ICICI Prudential is ranked third in the industry and among the companies considered for the study with an industry share of 11.34 per cent and sum assured of Rs.95,995 crore as on 31.3.2009. The company was the leading company in 2005-06 but due to year on year decline in industry share its position declined to third and its growth rate of sum assured of the linked business is the lowest among the companies considered for the study. Birla SunLife is ranked fourth in the industry and among sample companies with sum assured in force of Rs.78,955 crore and industry share of 9.33 per cent. Its sum assured has increased by nearly four times during the four year period 2005-09. HDFC StandardLife is ranked fifth among the companies in the sample and ranked fifth in the industry with sum assured in force of Rs.45,479 crore as on 31.3.2009 and industry share of 5.37 per cent. Its sum assured increased by over four times over the four year period 2005-09.

Among the companies considered for the study, only LIC and ICICI Prudential have linked health policies in force. LIC is the number one company both among the sample and in the industry with Rs.7,217 crore of sum assured accounting for 83.33 per cent of the industry share and ICICI is ranked second among the sample and fourth in the industry with Rs.32 crore of sum assured policies representing 0.37 per cent of the industry share. While LIC has Linked Health Policies in its portfolio from 2007-08, ICICI Prudential has them only from 2008-09.


LIC was the leading company throughout the period of the study, though its industry share has been on a declining trend. The industry share in new business premium of LIC which was 90.17 per cent in 2004-05 declined to 82.05 per cent in 2005-06, 72.5 per cent in 2006-07, 62.09 per cent in 2007-08 and 58.11 per cent in 2008-09. ICICI Prudential was the second ranked company during the study period among the sample companies and the industry. The industry share of ICICI Prudential has increased from 3.01 per cent in 2004-05 to 7.71 per cent in 2008-09. Bajaj Allianz was in the third position both among the sample companies and the industry. The industry share of Bajaj Allianz has increased from 1.27 per cent in 2004-05 to 6.04 per cent in 2008-09. HDFC StandardLife was ranked fifth among the sample companies in 2004-05 and for the remaining period of study was in the fourth position. With regard to the position in the industry, the company was in the fifth position in the industry in 2004-05, fourth position in 2005-06, fifth position during 2006-08 and seventh position in 2008-09. Birla SunLife which was ranked fourth among the sample companies during 2004-05 declined to the fifth position during the
remaining period of study. Its position in the industry was fourth during 2004-05, fifth during 2005-06, eighth in 2006-07 and seventh during 2007-09. Birla SunLife and HDFC StandardLife reported decline in new business premium in 2006-07 after reporting growth in 2004-06. While Birla Sunlife’s new business premium declined from Rs.1,255.66 crore in 2005-06 to Rs.742.88 crore in 2006-07, HDFC StandardLife’s new business premium declined from Rs.1,569.91 crore to Rs.1,372.85 crore.

Among the companies in the sample, none of them have recorded increase in new business premium during the entire study period. LIC, Bajaj Allianz and ICICI Prudential after recording year on year growth in new business premium for the four year period 2004-08 recorded lower premium in 2008-09. While Bajaj Allianz’s new business premium declined from Rs.6,486.6 crore in 2007-08 to Rs.4,200.43 crore in 2008-09, ICICI Prudential reported a decline from Rs.7,044.3 crore in 2007-08 to Rs.5,365.69 crore in 2008-09 and LIC recorded a decline from Rs.49,316.62 crore in 2007-08 to Rs.40,403.11 crore in 2008-09. Among the companies considered for the study, only two companies (Birla SunLife and HDFC StandardLife) have improved their industry share in all the years of the study period. BSLI’s industry share increased from 1.16 per cent in 2004-05 to 1.18 per cent in 2005-06, 1.21 per cent in 2006-07, 2.21 per cent in 2007-08 and 3.47 per cent in 2008-09. HDFC StandardLife’s industry share which was 0.87 per cent in 2004-05 increased to 1.48 per cent in 2005-06, 2.23 per cent in 2006-07, 2.96 per cent in 2007-08 and to 3.66 per cent in 2008-09. Among the companies considered for the study, the company which recorded the highest growth in new business premium was Bajaj Allianz which recorded increase of 4.19 times from Rs.1,001.68 crore in 2004-05 to Rs.4,200.43 crore in 2008-09.
With regard to cumulative new business premium for the study period among the sample companies, LIC is ranked first with Rs.1,61,888.7 crore, ICICI Prudential second with Rs.23,418.30 crore, Bajaj Allianz third with Rs.19,029.47 crore, HDFC StandardLife fourth with Rs.8,524.59 crore and Birla SunLife fifth with Rs.7,066 crore.

4.6.16 New Business (Policies) 2004-09:

The number of policies issued by the industry witnessed a sustained increase during 2004-2007 but 2007-08 was a year of decline followed by the revival in 2008-09. The number of policies issued was 2,39,78,123 in 2004-05, 3,54,62,117 in 2005-06 and 5,08,47,196 in 2006-07. In the year 2007-08, the number of policies issued declined by 47,19,398 to 4,61,27,798 and in the following year, the decline was arrested and the uptrend continued to reach 5,09,04,871.

Among the companies in the sample only Birla SunLife and HDFC StandardLife recorded a consistent increase in their industry share whereas there was a continuing decline in the industry share of LIC. The industry share of Birla SunLife increased from 0.55 per cent in 2004-05, 0.75 per cent in 2005-06, 0.92 per cent in 2006-07, 1.35 per cent in 2007-08 and 2.72 per cent in 2008-09. The industry share of HDFC StandardLife increased from 1.07 per cent in 2004-05, 1.12 per cent in 2005-06, 1.13 per cent in 2006-07, 1.86 per cent in 2007-08 and 2.11 per cent in 2008-09. LIC's industry share declined from 91.48 per cent in 2004-05 to 89.68 per cent in 2005-06, 73.93 per cent in 2006-07, 82.83 per cent in 2007-08 and to 70.51 per cent in 2008-09. Another pertinent fact to note is that the number of policies issued by LIC has shown a consistent decline during the three year period, 2006-09. The company issued 3,82,08,575 policies in 2006-07 which declined to 3,75,89,995 policies in 2007-08 and further to 3,58,91,332 policies in 2008-09. With regard to the
ranking regarding the growth of new business policies, BSLI recorded the highest
growth rate with its policies issued increasing by 9.62 times from 1,43,750 policies in
2004-05 to 13,83,469 policies in 2008-09 followed by ICICI Prudential with a growth
rate of 5.42 times from 4,86,274 policies in 2004-05 to 26,37,675 policies in 2008-09.
In the year 2008-09, which was a difficult year for the insurance industry because of
the negative impact of the global economic crisis, the number of new policies issued
declined in the case of LICI, ICICI Prudential and Bajaj Allianz. On a year on year
basis, the decline was highest in the case of Bajaj Allianz at 30.83 per cent followed
by ICICI Prudential at 9.45 per cent and LICI at 4.5 per cent. It is interesting to note
that in the same year, Birla SunLife more than doubled its policy issuance with the
growth rate on a year on year basis being 101 per cent.

Among the companies considered for the study, LICI was the leading
company in terms of number of policies issued during the entire study period. Bajaj
Allianz was ranked second for the four year period, 2004-08 and slipped to the third
position in 2008-09 being displaced by ICICI Prudential. ICICI Prudential which was
in the third position for the first four years improved its performance and reached the
second position in 2008-09. HDFC StandardLife was in the fourth position during the
entire period of study and Birla SunLife was in the fifth position.

4.6.17 Total Life Insurance Premium:

It represents premium received from individual as well as group policies and
includes first year premium, single premium and renewal premiums. The total life
insurance premium of the industry has grown by 2.67 times from Rs.82,854.80 crore
in 2004-05 to Rs.2,21,791.26 crore in 2008-09.
Among the companies considered for the study, LIC was in the number one position in terms of total life insurance premium received for the entire study period of 2004-09. The company nearly doubled its total life insurance premium receipts from Rs.75,127.29 crore in 2004-05 to Rs.1,57,288.04 crore in 2008-09. ICICI Prudential was in the second position both among the companies considered for the study and in the industry and its total premium receipts increased by 6.5 times from Rs.2,363.82 crore in 2004-05 to Rs.15,356.22 crore in 2008-09. Bajaj Allianz was in the third position among the companies in the sample and also when considered on an industry wide basis during the study period. Its total premium increased by 10.61 times from Rs.1,001.68 crore in 2004-05 to Rs.10,624.52 crore in 2008-09. Birla SunLife which was in the fourth position among the companies considered in 2004-05 slipped to the fifth position from 2005-2009. Though its industry share increased marginally on a year on year basis its position in the industry slipped from the fourth position in 2004-05 to fifth position in the next year and remained in the sixth position during the period 2006-09. HDFC Standard Life which was in the fifth position both among the sample companies and the industry improved to fourth position among the companies considered for the study and in the fifth position among the companies in the industry for the four year period 2005-09.

HDFC StandardLife and ICICI Prudential were the top two companies in terms of growth of total premiums for the period under study. HDFC StandardLife’s total premium income grew by 8.11 times from Rs.686.63 crore in 2004-05 to Rs.5,564.69 crore in 2008-09 while ICICI Prudential grew at 6.5 per cent from Rs.2,363.82 crore in 2004-05 to Rs.15,356.22 crore in 2008-09. For the two year period, 2007-09, the growth rate in total premiums of the private sector companies was much higher when compared to that of LIC. While all the private sector
companies in the sample had improved their industry share, the industry share of LIC has been on the decline from 90.67 per cent in 2004-05 to 70.9 per cent in 2008-09 but in terms of absolute numbers, LIC's total premium income nearly doubled.

4.6.18 First Year (Including Single Premium):

The first year premium of the industry grew by 3.32 times from Rs.26,217.64 crore in 2004-05 to Rs.87,006.23 crore in 2008-09. LIC remained the leading company among the sample companies and the industry in terms of first year premium. Its first year premium income grew from Rs.20,653.06 crore in 2004-05 to Rs.53,179.08 crore in 2008-09 but its industry share was on a consistent decline. The industry share of LIC declined from 78.78 per cent in 2004-05 to 73.52 per cent in the next year, 72.32 per cent in 2006-07, 64.02 per cent in 2007-08 and 61.12 per cent in 2008-09. ICICI Prudential was in the second position during 2004-05 and from 2006-09 both among the sample companies and in the industry. During 2005-06 the company was displaced by Bajaj Allianz in the second position and therefore slipped to the third position. Bajaj Allianz was in the third position among the sample companies in 2004-05 and from 2006-09. In the year 2005-06 the company was in the second position. Based on industry ranking, the company was in the third position in 2004-05 and during 2006-08, it was in the second position in 2005-06 but slipped to the fourth position in 2008-09. The reason for drop in ranking is because of the drop in new business premium by 32.22 per cent from Rs.5919.8 crore in 2007-08 to Rs.4012.39 crore in 2008-09. HDFC StandardLife was in the fifth position in the years 2004-05 and 2008-09 among the companies considered for the study and during the period 2005-08, the company was in the fourth position. When the entire life insurance industry is concerned, the company which was in the fifth position in 2004-05 moved to the fourth position in the next year followed by the fifth position in the
next year following. During 2007-08 the company was in the sixth position and in 2008-09 it slipped further to the seventh position.

With regard to growth rate in premiums, the highest growth was recorded by HDFC StandardLife which grew its premiums by 5.45 times from Rs.486.15 crore in 2004-05 to Rs.2,651.11 crore in 2008-09, Bajaj StandardLife is the second fastest growing company and its premium growth was 5.24 times from Rs.857.45 crore in 2004-05 to Rs.4,491.43 crore in 2008-09. Among the companies considered for the study, except BSLI which grew its premiums during the entire study period, in the case of the other companies, premiums declined in the year 2008-09. In the case of LIC, premiums declined by 11.36 per cent, premium income of HDFC StandardLife declined by 1.26 per cent, ICICI Prudential’s premium income fell by 19.3 per cent and the decline in the case of Bajaj Allianz was 32.7 per cent. None of the companies in the sample have recorded consistent year on year growth in industry share.

4.6.19 First Year Premium:

Growth in first year premium is an indicator of the new business generating capacity of the organisation. On a cumulative basis for the five year period, LIC recorded the maximum premium at Rs.2,62,317.17 crore, ICICI Prudential is ranked second with Rs.21,381.42 crore, Bajaj Allianz is ranked third with Rs.14,661.67 crore, HDFC StandardLife is ranked fourth with cumulative first year premium income of Rs.7,140.73 crore while Birla SunLife was ranked fifth with Rs.6,757.43 crore. It is interesting to note that the cumulative first year premium income of LIC is 5.25 times of the cumulative first year premium income of the other four private players put together. Among the companies considered for the study while the first year premium income of Birla SunLife, LIC and HDFC StandardLife have reported year on year growth over the entire study period, in the case of Bajaj Allianz and
ICICI Prudential there has been a decline in the year 2008-09. While the first year premium of Bajaj Allianz declined from Rs.5,919.8 crore in 2007-08 to Rs.4,012.39 crore in 2008-09, ICICI Prudential’s premium income fell from Rs.7371.94 crore to Rs.6,017.41 crore. With regard to the growth rate in times, the top two companies are Bajaj Allianz and LIC. The premium growth rate of Bajaj Allianz was 9.88 times with its first year premium income growing from Rs.406.09 crore in 2004-05 to Rs.4,012.39 crore, while the growth rate of LIC is 7.78 times with premium income growing from Rs.11,658.23 crore in 2004-05 to Rs.90,792.22 crore in 2008-09. On a comparative basis, LIC is the leader among the sample companies for the entire study period, ICICI Prudential was placed in the second position and Bajaj Allianz remained in the third position. While HDFC StandardLife was in the fifth position during 2004-05 it moved to the fourth position during the remaining four year period (2005-09) displacing Birla SunLife. Birla SunLife which was in the fourth position in the year 2004-05 slipped to the fifth position during the remaining period.

**4.6.20 Renewal Premium:**

Growth in renewal premiums is a symbol of stability of premium incomes as well as signifies lower cost of business acquisition. Based on the cumulative renewal premiums received during the five year study period, LIC is the number one company with renewal premium income of Rs.3,82,552.2 crore, ICICI Prudential is ranked second with renewal premium income of Rs. 19,915.01 crore, Bajaj Allianz is placed in the third position with income of Rs.10,787.36 crore, HDFC StandardLife in the fourth place with cumulative renewal premium income of Rs.7,021.52 crore and Birla SunLife is in the fifth position with Rs.4,830.56 crore. The cumulative renewal premium of LIC during the period of the study is nine times the renewal premiums received by the other four private sector companies put together. LIC is the only
company whose cumulative renewal premium is higher than the first year cumulative premium and cumulative of single premiums. Among the four private sector companies considered for the study, the earliest instance of the renewal premium exceeding first year and single premiums was achieved by Birla SunLife in the year 2006-07 whereas the other companies were able to achieve it only in 2008-09. But from 2007-08, the renewal premiums of Birla SunLife have been lagging behind the other companies. In the last year under study, 2008-09, except in the case of Birla SunLife whose renewal premium is less than the first year and single premiums, in the case of the other four companies in the sample, the renewal premiums exceed the first year and single premiums which is a good sign indicating better predictability of incomes. The renewal premium income of all the companies in the sample has increased on a year on year basis. With regard to the growth rate in renewal premiums, the highest growth rate has been recorded by Bajaj Allianz whose renewal premiums have grown by 42.52 times, ICICI Prudential is in the second position with a growth rate of 8.01 times while the lowest growth rate is recorded by LIC at 1.91 times. While the average growth rate of renewal premiums of all the four private sector companies are substantially higher than the first year premiums indicating improving quality of earnings, the average growth rate of renewal premium is only one fifth of the growth rate of first year premiums of LIC indicating decline in the quality of earnings. In this criterion, Bajaj Allianz is the leading company with its growth rate in renewal premiums being 4.69 times of the growth in first year premiums. The average growth rate of renewal premiums of the company is 831 per cent whereas that of first year premiums is 177.64 per cent. The next company is Birla SunLife whose average growth in renewal premiums is 2.92 times of the growth in first year premiums. The average growth rate of renewal premiums of the company is
213.61 per cent whereas that of first year premiums is 73 per cent. In the case of ICICI Prudential, the average growth of renewal premiums (87 per cent) is 2.67 times the growth rate of first year premiums (32.48 percent) and for HDFC StandardLife, the average growth of renewal premiums (271 per cent) is 2.65 times the growth rate of first year premiums (102 per cent).

4.6.21 Single Premiums:

Single premium plans which were once the flavour of the industry have lost their appeal after the severe restriction on guaranteed returns placed by IRDA in the year 2008. As a result the companies have reduced their promotion of single premium plans which is reflected in the premium incomes. Decline in income from single premiums is a good sign because majority of single premium plans promise guaranteed returns which might cause asset liability mismatches for the insurers.

Premium incomes from single premium plans which were in the upswing before IRDA restrictions (2004-2008) have shown a decline in the year 2008-09. Among the companies considered for the study, except for the Public sector major LIC and Birla SunLife Insurance, the single premium income of the other private sector companies have declined in 2008-09 and in the case of Bajaj Allianz and ICICI Prudential the decline commenced in the year 2007-08. The highest decline was recorded by Bajaj Allianz at 36.51 per cent in 2007-08 and 36.52 per cent in 2008-09. Birla SunLife is an exception to the trend of declining single premiums among the private sector companies with its single premium income after declining by 22.69 per cent in 2007-08, increased by 50.73 per cent in the year 2008-09. In the case of LIC, the single premium income has increased in absolute terms throughout the study period, but, the growth rate has declined in 2008-09. Single premiums which
increased by 52.3 per cent in 2004-05, 64 per cent in 2005-06, 78.1 per cent in 2006-07 grew only by 28.23 per cent in 2007-08 and 0.78 per cent in 2008-09.

4.6.22 Introduction of New Products/Riders:

Considering the dynamic nature of the industry, product churn in terms of product introduction and withdrawal are a continuous process in tune with the changing consumer requirements, competitive pressures and regulatory requirements. Insurance companies have been introducing products and riders taking into account the latent needs of consumers and customer insights offered by integrating the feedback from various consumer touch points. With growing competition and improved consumer awareness, tailoring products and riders to perfectly match consumer needs is of prime importance to stay ahead of the curve in terms of revenue generation, sustainability and customer delight and is an important source of competitive advantage.

During the five year period, 2004-09, the maximum number of new products and riders was introduced in the year 2006-07 by the companies considered for the study. Due to the far reaching regulatory changes relating to ULIP’s, mandated by the IRDA, the rate of new product introductions has slowed down in 2007-08 and 2008-09. The number of new products introduced by the sample companies was 34 in 2004-05, 33 in 2005-06, 87 in 2006-07, 43 in 2007-08 and 52 in 2008-09. Among the companies considered for the study, in terms of the total number of products or riders introduced during the study period (2004-09), the leading company is ICICI Prudential which introduced 74 new products and riders. Bajaj Allianz is in the second position and has introduced 68 products. Birla SunLife is in the third position having introduced 41 products and riders, the Public sector major LIC is ranked fourth with introduction of 38 products and riders and HDFC StandardLife is ranked
fifth with 28 new product introductions. The introduction of the maximum number of
new products and riders in a single year was by ICICI Prudential with 30 products in
2006-07 followed by Bajaj Allianz with 20 products and Birla SunLife with 17
products in the same year. Considering the introduction of new products and services
on a yearly basis, ICICI Prudential was the number one company during the three
year period 2004-07 while it was placed in the second position during the remaining
two years 2007-09. The company introduced 13 new products and riders in 2004-05,
9 products in 2005-06 and 30 products in 2006-07 whereas during the remaining two
years, it introduced 11 products each year. During the two year period 2007-09, the
leading company was Bajaj Allianz with new product introductions of 14 in 2007-08
and 15 in 2008-09. For the four year period 2004-08, HDFC StandardLife is the
company which introduced the least number of new products and riders. The
company introduced 2 products in 2004-05, 2 products in the next year, 10 products in
the following year and 3 products in 2007-08. It introduced 11 products in 2008-09
and was tied in the second position with ICICI Prudential for products introductions.
LICI was ranked in the third position during 2004-06 and in the fourth position in the
remaining three years.

4.6.23 Insurance Products Offered:

The number of products offered to cater to the needs of various segments is an
important parameter to judge the competitive position of an insurance company
among its peers. With increasing number of companies entering the sector, a wide
product portfolio with adequate number of products to address specific requirements
of target markets is a pre-requisite to compete in the hyper competitive sector. Though
product introduction, product modification and product termination are essential to
keep in tune with the changing competitive dynamics of the industry and regulatory
requirements, companies need to maintain a robust product portfolio at all times in order to be the preferred choice of consumers. Among the companies considered for the study, LIC is the leading company in terms of the total number of products in its portfolio with 58 products. Bajaj Allianz is ranked second with 36 products and it is pertinent to point out that the second ranked company has 22 products less in its portfolio when compared to the market leader. Birla SunLife Insurance in ranked third with 31 products and ICICI Prudential and HDFC StandardLife are tied for the fourth position with 26 products and the number of products in their portfolio is just 44.87 per cent of the products offered by the market leader. With regard to Protection Plans, LIC, ICICI Prudential and HDFC StandardLife offer four products while Birla SunLife and Bajaj Allianz offer three products each. In the case of Children’s Plans, LIC is the market leader with ten products. The extent of difference between LIC and the private players considered for the study can be understood from the fact that the number of products offered by the four private players put together is less than the number of products offered by LIC. HDFC StandardLife and Birla SunLife offer three products, Bajaj Allianz offers two products while ICICI Prudential offers just one product in this category. With regard to Retirement Plans, LIC is the leading company with five products in its portfolio. While Birla SunLife offers four products, ICICI Prudential offers three products while HDFC StandardLife and Bajaj Allianz have only two products in their portfolio in this segment. In the Savings and Investment category, LIC is the leading company in terms of number of products in its portfolio with twenty two products. Bajaj Allianz is in the second position with twelve products and the second ranked player has ten products less than the market leader in this category. HDFC StandardLife is in the third position with ten products, Birla SunLife has nine products while ICICI Prudential is ranked last with eight
products. In the case of Health Plans, Birla SunLife and ICICI Prudential are the leading companies with three products in their portfolio. Bajaj Allianz and HDFC StandardLife offer two products each while LIC offers only one product in this product category. With regard to Group Plans, Bajaj Allianz is the market leader with its offering of twelve products, LIC is ranked second with eight products, Birla SunLife is ranked third with six products while HDFC StandardLife and ICICI Prudential are ranked last with five products. In the Rural Solutions and Micro Insurance category, HDFC StandardLife does not have any product. Among the other four companies while Birla SunLife, Bajaj Allianz and LIC have three products each, ICICI Prudential has two products. LIC is the only company to have plans exclusively for handicapped dependents. The company has two products, Jeevan Vishwas and Jeevan Aadhar.

4.6.24 Rider Options:

Riders are the additional benefits attached to policies in case of eventualities. They are a special policy provision or group of provisions that can be added to a policy to expand or limit the benefits otherwise payable. They are options that allow for enhancement of the insurance cover, qualitatively and quantitatively. Riders can be mixed and matched based on the insured’s preferences for a small additional cost. Since prospective customers also compare the rider options offered by a company along with the products, it becomes imperative to offer adequate range of rider options in order to derive the competitive edge and become the preferred insurer.

With regard to the number of rider options offered, Birla SunLife is the leading company and it offers 11 riders to choose from. They include Surgical Care, Hospital Care, Waiver of Premium, Accidental Death and Dismemberment, Critical Illness Plus, Critical Illness Plus for Women, Accidental Death, Accidental Death
Benefit, Accidental Death and Disability, Critical Illness and Term Insurance Rider. LIC is ranked second with eight rider options while ICICI Prudential, HDFC Standard Life and Bajaj Allianz offer five rider options. While Waiver of Premium, Critical Illness, Accidental Death, Accidental Death Benefit are commonly offered by all the insurers, Surgical Care, Accidental Death and Dismemberment and Critical Illness Plus for Women are exclusive to Birla SunLife. Family Income Benefit Rider is offered by only Bajaj Allianz and ICICI Prudential.

4.6.25 Range of Payment Options Offered:

With the advancement of technology and customers comfort level with technological options, companies are considering offering wide range of payment options. With the profile of the customers changing and their requirements for ease and convenience increasing, range of premium payment options can be used as a differentiator in the highly competitive insurance sector. Among the companies considered for the study, the company which offers the widest range of premium payment options is LIC which offers a choice of fifteen options. The company’s customers can pay their premiums through Electronic Clearance System, Electronic Bill Presentation and Payment, through ATM’s of Corporation Bank and Axis Bank, Online premium payment on LIC Website, www.licindia.in with the help of Net Banking Facility of 33 major Banks, through APOne, a joint venture between the AP State Government and Tata Consultancy Services which has 250 franchises in the twin cities and more than 1,000 franchises across the state, through MPOnline, a joint venture between the Madhya Pradesh State Government and Tata Consultancy Services having a presence in almost every mandal, through Suvidha Infoserve Pvt. Ltd., which has over 3,000 collection centres across the country, through Tick Business Solution Pvt. Ltd (TBS), an E-Commerce Co. engaged in offering citizen
oriented services which has over 2,000 outlets across the country, payment through chairman club members and Chief Life Insurance Advisors in over 6,000 outlets. BSLI is ranked second with eleven options, HDFC StandardLife is ranked third with 10 options and the company which offers the least number of premium payment options is Bajaj Allianz which offers only four options.

4.6.26 Proportion of Business Generated through Bancassurance Channel:

Bancassurance which represents marketing of insurance products through the banking channel is comparatively better than the traditional channel because the renewal ratio of the bancassurance channel is much higher than the traditional channel. Since the lapsation rate of business generated through the bancassurance channel is less than that of the traditional channel it is preferred by insurers since it assures better predictability of incomes. Therefore insurers who generate a larger volume of business through the bancassurance channel have a competitive edge in terms of better stability and predictability of incomes. Among the companies considered for the study, HDFC StandardLife which was in the second position for the first two years of the study period (2004-06) has been the leader during the remaining three years of 2006-09 in terms of business generation through the bancassurance channel. The company which generated 30.68 percent through bancassurance in 2004-05 has consistently increased the share of business through this channel and generated 45.45 per cent of its business in the year 2008-09. BSLI which was ranked first during 2004-06 with bancassurance business of 40.12 per cent in 2004-05 and 44.84 per cent in the next year slipped to the second position for the succeeding three years because of the declining share of bancassurance to 33.36 per cent in 2006-07 and 27.98 per cent in 2007-08. In 2008-09, the share of bancassurance declined further to 21.19 per cent and the company was displaced by
ICICI Prudential in the second position and had to slip to third position. ICICI Prudential which was ranked in the third position for the four year period 2004-08 improved its performance from 11.2 per cent in 2004-05 to 22.17 per cent in 2008-09 and reached the second position in 2008-09. Bajaj Allianz derived a small proportion of its business through bancassurance and remained in the fourth position through the entire study period. The company which derived 3.8 per cent of its business through this channel in 2004-05, generated only 3.01 per cent of its business through bancassurance in 2008-09. LIC is ranked last in this parameter throughout the study period and it generated 1.1 per cent of its business through this channel in 2004-05 and 1.7 per cent in 2008-09. Bajaj Allianz is the only company whose bancassurance business has shown a consistent decline over the study period from 3.8 per cent in 2004-05, 3.74 per cent in 2005-06, 3.65 per cent in 2004-05, 3.33 per cent in 2007-08 and 3.01 per cent in 2008-09. In the case of Birla SunLife the bancassurance business which showed an increasing trend for the three year period 2004-07 witnessed a decline for the two year period 2007-09.

4.6.27 Proportion of Business Generated Through Alternate Channels:

The cost incurred in generating business through alternate channels (bancassurance, direct marketing, internet and tele-marketing) is comparatively lesser than the cost incurred in the traditional agency channel. Since commissions are a major cost of insurance companies, many of them are focusing on generating an increasing share of their business through alternate channels to improve cost efficiencies, reach a wide target audience, provide products to low income households and hasten their progress to profitability. So generating higher share of business through alternate channels provides cost benefits and is a source of competitive advantage.
Birla SunLife was the leading company in terms of business generated through alternate channels for the period 2004-07 when it generated 54.47 per cent of its business in 2004-05, 58.55 per cent in 2005-06 and 66.64 per cent in 2006-07. The share of alternate channel declined to 41.74 per cent in 2007-08 and to 41.32 per cent in 2008-09 and hence the company slipped to the second position behind HDFC StandardLife in 2007-08 and to the third position in 2008-09. HDFC StandardLife which was in the second position behind Birla SunLife during the period 2004-07, moved to the number one position in 2007-09. The company’s share of business from alternate channels was 44.52 per cent in 2004-05, 57.71 per cent in the next year, 58.82 per cent in 2006-07, 45.11 per cent in 2007-08 and 52.23 per cent in the following year. ICICI Prudential which was placed in the third position in the three year period 2004-08 and improved to the second position in 2008-09. The company which derived only 1 per cent of its business through alternate channels in 2005-06, has consistently increased it to 9.09 per cent in 2006-07, 39.5 per cent in 2007-08 and 44.3 per cent in 2008-09 Bajaj Allianz was ranked fourth during the entire study period. In the case of LIC, its share of alternate business was less than 3 per cent throughout the study period. Its alternate channel share which was 1.6 per cent in 2004-05 improved only marginally to 2.66 in 2008-09.

4.6.28 Surplus Generated from Operations:

The generation of surplus from operation is an important parameter to gauge the competitive position of an organisation in the industry because it indicates the sustainability of the business model and also points to business efficiency.

With regard to the cumulative surplus generated by the companies during the study period, LIC is the number one company with surplus of Rs.3,834.88 crore. ICICI is the second ranked business with cumulative surplus of Rs.715.88 crore, Bajaj
Allianz is in the third position with Rs.510.58 crore, HDFC StandardLife is in the fourth position with Rs.242.92 crore and Birla SunLife is ranked last with cumulative surplus of Rs.183.66.

On an yearly basis, LIC is the leading company in term of generation of surplus and except for the year 2006-07 when there was a decline from Rs.621.77 crore as compared to Rs.696.6 crore generated in the previous year, in all the other years of the study, the surplus generated by the company showed an increasing trend on an year on year basis. In the year 2004-05, only LIC (Rs.696.6 crore) and ICICI Prudential (Rs.10.06) generated surpluses, while Birla SunLife and HDFC StandardLife did not generate any surplus with the operations of Bajaj Allianz resulted in a deficit of Rs.2.65 crore. In the year 2005-06, Bajaj Allianz generated a surplus of Rs.61.82 crore and was placed in the second position, while ICICI Prudential was in the third position with Rs.31.76 crore and HDFC StandardLife was in the fourth position with Rs.2.56 crore. Birla SunLife did not generate any surplus in 2005-06 also. In 2006-07, Bajaj Allianz was in the second position with surplus of Rs.137.88 crore, ICICI Prudential with Rs.136.01 crore slipped to the third position while HDFC with Rs.3.39 crore was in the fourth position and Birla SunLife did not generate any surplus for the third year in succession. In 2007-08, ICICI Prudential regained the second position with surplus of Rs.325.12 crore, Bajaj Allianz slipped back to the third position with Rs.198.03 crore, HDFC StandardLife with Rs.70.28 crore was in the fourth position and Birla SunLife was ranked last with a surplus of Rs.51.92 crore. In 2008-09, ICICI Prudential continued in the second position with surplus of Rs.212.93 crore, HDFC StandardLife was ranked third with Rs.166.64 crore, Birla SunLife was in the fourth position with Rs.131.69 crore and Bajaj Allianz was ranked last with surplus of Rs.115.5 crore.
4.6.29 Number of Agents:

The agency force, considered to be the traditional channel accounts for a major share of the new business generated both in case of number of policies and new business premium. Therefore the number of agents undertaking business for a company is an important indicator of the business generating potential of an organisation and its ability to compete effectively in the intensely competitive insurance sector. Through alternate channels are being explored, the traditional agency channel continues to remain an important competitive strength. LIC is the number one company in this parameter, and the number of its agents is significantly higher than the agency force of the other four private players put together. Bajaj Allianz was the number two company for the three year period 2004-07 and was displaced by ICICI Prudential and slipped to the third position during 2007-09. ICICI Prudential which was in the third position in 2004-06 slipped to the last position in 2006-07 when its agency force shrunk by 48 per cent and due to the significant growth in agents moved to the second position in 2007-09. HDFC Standard Life was in the fourth position during 2004-06 and 2007-09. It was in the third position during 2006-07. With regard to the growth rate in the agency force, the highest growth rate was recorded by Birla SunLife at 601 per cent. The other companies which recorded a growth rate of over 100 per cent in their agency force are HDFC Standard Life at 382.96 per cent, ICICI Prudential at 180.65 and Bajaj Allianz at 105.86 per cent. While the number of agents of Birla SunLife, HDFC Standard Life and LIC has showed a sustained increase, the number of agents of Bajaj Allianz and ICICI Prudential declined in the year 2008-09.
4.6.30 Profits and Losses:

As in any other business venture, profits are an indicator of business efficiency and the effectiveness of the business model adopted by the enterprise. In the insurance sector due to the high initial start up expenses, achieving break even generally takes seven to nine years and in the case of private sector companies many have not yet become profitable as projected during their initial estimates.

Among the companies considered for the study, the only company which has been profitable during the entire study period is LIC while the other four private sector companies have incurred losses in all the five year study period. The accumulated profit of LIC for the study period was Rs.3915.55 crore. Among the private sector companies, ICICI Prudential is the highest loss maker with accumulated losses of Rs.3,350.41 crore, Birla SunLife is the next highest loss maker at Rs.1,408.9 crore, HDFC StandardLife comes next at Rs.1090.52 crore while the accumulated losses of Bajaj Allianz for the study period was Rs.622.49 crore. Except for the year 2005-06 when profits declined by Rs.76.79 crore, in the other years, LIC has recorded steady increase in profits. Among the private sector companies, ICICI Prudential recorded the highest losses among the companies in the sample for the four year period 2004-08 while in 2008-09, the highest loss was recorded by Birla SunLife. On a year on year basis, Birla SunLife and ICICI Prudential recorded lower losses in 2005-06 as compared to the previous year while HDFC StandardLife and Bajaj Allianz recorded higher losses. In the year 2006-07 while HDFC StandardLife and Bajaj Allianz incurred lower losses when compared to the previous year, the losses incurred by Birla SunLife and ICICI Prudential increased. In the year 2007-08 all the four private sector companies incurred higher losses when compared to the previous year. In 2008-09, while Birla SunLife (loss of Rs.686 crore in the year 2008-
09 as compared to Rs.437 crore in the previous year) and HDFC StandardLife incurred higher losses when compared to the previous year, the losses of ICICI Prudential and Bajaj Allianz decreased.

4.6.31 Grievances Pending (As Percentage of Reported Grievances):

Grievance redressal in a prompt and fair manner is at the core of any service business more so, in the insurance industry in which long term relationships are built on a foundation of trust, transparency and customer goodwill. Prompt redressal of customer grievances helps in service recovery and can effectively convert negative opinion to positive word of mouth which is a significant source of strength in a highly competitive service industry such as insurance. HDFC StandardLife was ranked first with regard to the lowest proportion of pending grievances among the companies considered for the period 2004-07, but its performance worsened later and it was ranked fourth in 2007-08 and last in 2008-09. The proportion of pending grievances which was 43.33 per cent in 2004-05 dropped to 3.22 per cent in 2006-07 and then increased to 52.83 per cent in 2007-08 and to 59.57 per cent in the next year. Birla SunLife which was ranked third in 2004-05 with 60.87 per cent of pending grievances improved its grievance settlement and was ranked second in 2008-09 with only 8.26 per cent of pending grievances. ICICI Prudential which was in the second position in 2004-05 with 43.59 per cent of pending grievances significantly improved its performance to become the top ranked company in 2008-09 with only 7.14 per cent of grievances pending. Bajaj Allianz which was ranked last in 2004-05 with 86.67 per cent of pending grievances improved to the third position in 2008-09 with 18.09 per cent of grievances pending. The Public sector major LIC which was ranked fourth in 2004-05 after a mixed performance in the next four years reduced its grievance pending rate to 38.67 per cent and retained the fourth position. Among the companies
considered for the study, with the exception of HDFC StandardLife, the other four companies have consistently reduced the percentage of pending grievances in 2008-09.

4.6.32 Returns Generated by ULIPs:

In the slow funds category of equity exposure of up to 20 percent, Birla Sunlife Individual Builder with a return of 11.88 per cent, Birla Sunlife Individual Protector with a return of 11.33 per cent are the top performers. In the medium funds category with equity exposure of up to 40 per cent, Birla Sunlife Individual Creator with an average return of 20.52 per cent over the five year period is the top performer. ICICI Prudential Life Balancer with a return of 13.82 per cent is ranked second and Birla Sunlife Individual Enhancer with a return of 13.27 per cent is ranked third. In the balanced funds category with equity exposure of up to 60 per cent, HDFC Balanced Life Standard Managed with a return of 17.38 per cent is the top performer. In the Fast Funds category with equity exposure of up to 100 percent, HDFC Standard Life Growth with a return of 25.4 per cent is the top performer, ICICI Prudential Life Maximiser II with a return of 24.98 per cent is ranked second and ICICI Prudential Life Maximiser with a return of 24.03 per cent is ranked third. Most of Bajaj Allianz Life Insurance’s funds are in the top quartile in the Fast Funds category. Eight of the 11 funds have beaten their benchmark. The best-performing fund in the Fast Funds category across various periods is from Bajaj Allianz Life Insurance.

4.6.33 Solvency Ratio:

Solvency ratio is used to measure a company’s ability to meet its long term obligations. It measures the size of a company’s after tax income, excluding non-cash depreciation expenses as compared to the firm’s total debt obligations. In other words, it is the excess of value of assets over the value of life insurance liabilities and
other liabilities of policy holders fund and share holders fund. It provides a measure of how likely a company will be able to continue meeting its debt obligations. It also indicates how solvent a company is and its ability to meet unforeseen exigencies.

The private life insurance companies have performed better than the Public sector LIC on the solvency ratio parameter during the study period indicating better capacity to meet their long term obligations. Among the companies considered for the study, Bajaj Allianz was the number one company during 2004-05 (2.6), 2006-07 (2.45), and 2008-09 (2.62). It was placed in the second position in 2005-06 (2.8) and third position in 2007-08(2.34). HDFC StandardLife was the top ranked company in the years 2005-06 (2.9), and was ranked second during 2004-05 (2.53), 2006-07(2.05), 2007-08 (2.38) and 2008-09 (2.58). Birla SunLife which was in the third position during the initial three year period of the study (2004-07), improved to the first position in 2007-08 (4.29) and slipped to the third position (2.44) in 2008-09. ICICI Prudential was ranked fourth during the entire study period and the solvency ratio of the company which was less than 2 during 2004-08 improved to 2.31 during 2008-09. LIC was ranked last for the period under study and its solvency ratio was less than 2. It is interesting to note that none of the five companies have consistently improved their solvency ratio and there is varying degree of fluctuation in this parameter.

4.6.34 Proportion of Renewal Premium in Total Premium:

Considering the high cost of generating new business with the ever increasing competitive intensity, retaining customers is of prime importance and one of the measures to gauge the retention of customers is the renewal premium received. Higher the proportion of renewal premium in the total premium income, better is the stability and predictability of income. It is the regular premium business that creates
value since value is created by regularity and predictability of the premium flows. Renewal premium business does not incur acquisition costs and has a positive impact on inflows. LIC is the leading company throughout the entire study period though the proportion of renewal premium in the total premium was on the decline from 2004-08, though it has recovered in 2008-09. The proportion of renewal premium which was 72.5 per cent in 2004-05 declined to 68.59 in the next year, 56.01 per cent in 2006-07, 59.95 in 2007-08 but recovered to 66.19 in 2008-09. Birla SunLife was ranked second during the years 2004-07 but slipped to the fourth position in 2007-08 and to the last position in 2008-09. The proportion of renewal premium of the company which had shown an increasing trend during 2004-07 declined from 2007-09. ICICI Prudential which was ranked third during 2004-06, slipped to the fourth position in 2006-07 regained the third position in 2007-08 and improved to the second position in 2008-09. The company whose proportion of renewal premium was 31.43 in 2004-05 increased it to 57.77 in 2008-09. HDFC StandardLife which was ranked fourth during 2004-06 improved to the third position in 2006-07, second position in 2007-08 and third position in 2008-09. The company has improved its proportion of renewal premium on a consistent basis from 20 in 2004-05 to 52 in 2008-09. Bajaj Allianz was ranked last during the four year period, 2004-08, but improved to the third position in 2008-09. The company has improved its proportion of renewal premium from a low of 14.4 in 2004-05 to 57.73 in 2008-09.

4.6.35 Contribution of Rural Business:

It is a fact that nearly 70 per cent of the Indian population is residing in villages and considering the very low penetration of insurance in the rural markets, the potential for growth is tremendous. Realising the tremendous potential for growth in rural insurance many insurance companies have in place dedicated rural marketing
strategies and rural business is expected to be the growth driver of the insurance industry. Among the companies considered for the study, LIC has been the leading company in terms of share of rural business for the three year period 2004-07 and was in the third position during 2007-09. Rural business has been contributing over 20 per cent of the business of the Public sector major on a consistent basis. The contribution of rural business which was 22.89 in 2004-05 has increased to 24.28 in 2008-09. ICICI Prudential was ranked second in 2004-05, third in 2005-06, fourth in 2006-07, last in 2007-08 and second in 2008-09. The share of rural business has been growing on a consistent basis and has increased from 18.48 in 2004-05 to 29 in 2008-09. Bajaj Allianz which was ranked last in 2004-07, improved its performance to become the industry leader in the two year period 2007-09. The share of rural business has increased considerably from 17.03 per cent in 2004-05 to reach 31.21 in 2008-09. Birla SunLife which was placed in the fourth position in 2004-05 with 17.49 per cent share in rural business improved its rural portfolio and reached the third position in 2008-09 with rural contribution of 26.17. HDFC StandardLife which was in the third position in 2004-05 with rural share of 18.28 improved its rural business which showed an uptrend till 2007-08 when it reach 23 per cent in 2007-08 but there was a sudden plunge in 2008-09 to 12.85 per cent and as a result the company was placed in the last position.

4.6.36 Overall Expenses Efficiency:

The overall efficiency of expenses can be judged from the management expenses ratio. The management expenses ratio includes all commission payments, operating expenses and any amount of capitalised expenses. A low ratio indicates better expense management and would hasten the insurance company’s growth towards profitability. Since gaining new business is challenging and involves high
expenditure, a low ratio indicates better competitive position in the industry. LIC is the top ranked company in this parameter during the entire study period and its overall expenses ratio has declined consistently from 17.55 per cent in 2004-05 to 14.47, 13.89, 12.97 and 12.81 in 2008-09. ICICI Prudential is ranked second in this parameter during the entire study period and its management expenses ratio has declined from 23.55 per cent in 2004-05 to 22.5 per cent in 2008-09. Bajaj Allianz was ranked third during 2004-06, third during 2006-07, last during 2007-08 and third during 2008-09. The ratio which declined in 2005-06 to 16 per cent as compared to 21 per cent a year ago, increased to 38 per cent in 2007-08 before declining to 36 per cent in 2007-08 and 26 per cent in 2008-09. Birla SunLife was ranked fourth during 2004-06, last in 2006-07 and fourth in 2007-09. The ratio which had declined from 33 in 2004-05 to 31 in 2007-08 increased to 36 in 2008-09. HDFC Standard Life was ranked last during the two year period 2004-06, fourth during 2006-07, third during 2007-08 and last in 2008-09. The ratio which had declined from 44.25 in 2004-05 to 33.22 in the next year, 27.51 in 2006-07 increased to 28.08 in 2007-08 and 39.38 in 2008-09.

4.6.37 Capital Efficiency:

Capital efficiency is the gross working capital divided by share capital (including share premium). A higher ratio denotes better and efficient utilisation of the capital in business. Bajaj Allianz has the highest capital efficiency ratio among the companies considered for the study throughout the study period. The company has progressively improved its performance in this parameter from 6.45 in 2004-05 to 8.77 in 2008-09. LIC was the second ranked company in this parameter during the study period and its capital efficiency ratio which was 4.5 during 2004-05 improved to 6.57 in 2008-09. HDFC Standard Life was the third ranked company during the
study period and it marginally improved its ratio from 3.01 in 2004-05 to 3.22 in 2008-09. ICICI Prudential was in the fourth position and its capital efficiency ratio improved from 2.89 in 2004-05 to 3.21 in 2008-09. Birla SunLife was ranked last and its capital efficiency ratio which was 1.89 in 2004-05 improved to 2.29 in 2008-09.

4.6.38 Operating Efficiency:

The operating efficiency of an insurer can be gauged from the operating ratio. Operating ratio is found by considering the operating expenses (excluding commissions) as a percentage of premium income. A low operating ratio signifies prudent management of operating expenses and is definitely a key competitive strength. LIC has the lowest operating ratio for the entire period of study and is ranked as the number one company. The operating ratio of the Public sector major which was already low at 8.31 during 2004-05 has consistently decreased to 5.76 during 2008-09. The superiority of LIC over the private sector life insurers taken up for the study can be understood by the fact that the lowest operating ratio achieved by the private sector companies is higher than that of LIC by 243 per cent in 2004-05, 233.53 per cent in 2005-06, 388.27 per cent in 2006-07, 377.35 per cent in 2007-08 and 306.42 per cent in 2008-09. Among the private sector players, Birla SunLife was ranked second in 2004-05 (19.38 per cent) and 2007-08 (20.5 per cent), third in 2005-06 (19.37 per cent) and fourth during 2006-07 (21.16) and 2008-09 (25.04 per cent). A worrying trend in the case of the company is that the operating ratio has shown a consistent increase from 19.37 in 2005-06 to 25.04 in 2008-09. Bajaj Allianz which was ranked third in 2004-05, improved to the second position in 2005-06, fell to the last position in 2006-07, fourth position in 2007-08 and rose to the second position in 2008-09. The company has been successful in reducing its operating ratio from 20.2 per cent in 2005-05 to 17.65 in 2008-09. ICICI Prudential which was ranked fourth in
this parameter for the period 2004-06, improved to the second position in 2006-07, slipped to the last position in 2007-08 and was in the third position in 2008-09. The operating ratio of the company which was 23.42 per cent after decreasing year on year has again increased to 23.42 in 2008-09. HDFC StandardLife was ranked last for the period 2004-06, improved to the third position in 2006-08 and slipped to the last position in 2008-09. The operating ratio of the company which was showing a consistent decrease from 33.61 to 20.98 in 2007-08 again increased to 29 in 2008-09. The average operating ratio was only 6.64 per cent for LIC during the period 2004-09 whereas it was 22.8 per cent for ICICI Prudential, 33.8 per cent for HDFC StandardLife, 23.3 per cent for Birla SunLife and 20.04 per cent for Bajaj Allianz.

4.6.39 Income Efficiency:

The income efficiency of an insurer is ascertained by calculating commission expense as % of premium earned. The lower the ratio, the better because it signifies lower spend on commission which is one of the major expenses of life insurance companies. Therefore it is an important measure to gauge the performance of a company in comparison to its competitors in the industry. ICICI Prudential has the best income efficiency during the entire study period and its commission expenses as percentage of premium earned has consistently decreased over the years from 6.9 per cent in 2004-05 to 4.6 per cent in 2008-09. LIC is ranked second, during the entire study period and its ratio has improved year on year from 8.75 in 2004-05 to 7.82, 7.18, 6.49 and 6.42 in 2008-09. HDFC StandardLife is ranked third in this parameter during the study period and the company’s commission expense percentage has declined from 10.65 in 2004-05 to 7.64 in 2008-09. Birla SunLife was ranked fourth during 2004-5, 2006-8 and last during 2008-09 while Bajaj Allianz was ranked last in 2004-05 and 2006-08 and was in the fourth position during 2005-06 and 2008-09. The
commission ratio declined to 11 per cent in 2005-06 as compared to 15 per cent in the previous year but increased to 18 per cent in 2006-07 before declining to 15 per cent in 2007-08 and 10 per cent in 2008-09.

4.6.40 Actuarial Efficiency:

The actuarial efficiency is measured by calculating the benefits paid as percentage of premium earned. A low ratio indicates better prediction of risk and appropriate fixation of corresponding premium which would enable the company to meet its commitments as well as have sufficient margin. Based on the parameter of average actuarial efficiency for the period under review, ICICI Prudential is ranked number one with the benefits paid as proportion of premium earned at 0.008, Bajaj Allianz is ranked second at 0.067, Birla SunLife third at 0.08, HDFC StandardLife fourth at 0.32 and LIC is ranked last at 0.52.

4.6.41 Marketing Efficiency:

Marketing efficiency is ascertained by finding out the growth rate of premium earned per agent. Since agency force contributes to a major share of the business for life insurance companies, this measure is important to find out the competitive position of a company in relation to its competitors. A high ratio indicates better marketing efficiency and is preferred. Birla SunLife Insurance is the top ranked company based on the average marketing efficiency at 28.3, LIC is ranked second at 20.24, ICICI Prudential is ranked third at 10.45, HDFC StandardLife is ranked fourth at 8.92 and Bajaj Allianz last at 6.07.

4.6.42 Lapsation Ratio:

A policy is said to be lapsed if the premium is not paid within the grace period allowed from the due date of premium payment. The grace period allowed varies from 15 days to 6 months. Lapsation has a significant negative impact on the policyholder,
the insurer and the agent. For the policyholder it not only means forfeiture of premiums paid but also loss of protection. For the insurer, the cost of acquisition is not fully recovered. For the agent it means loss of renewal commission. Therefore lapse of policy can be disruptive for the life insurance industry at large and having a low lapse rate ensure better stability of revenue stream and is a significant source of competitive advantage. Among the companies considered for the study, Birla SunLife had the lowest lapse rate for the two year period 2005-07 at 4 per cent, it was in the second position in 2004-05 and 2007-08 with its lapse rate being 6 per cent. It was in the third position in 2008-09 since its lapse rate had increased to 9 per cent. HDFC StandardLife was the number one company for the year 2004-05 (5 per cent) and during the two year period 2006-08 (4 per cent). It was placed in the third position in 2005-06 (5 per cent) and second position in 2008-09 (6 per cent). LIC which was placed in the third position in 2004-05 (7 per cent) consistently improved its performance and was in the second position in the next year (5 per cent), first position in 2006-07 (4 per cent), second position in 2007-08 (6 per cent) and first in 2008-09 (4 per cent). The lapse ratio of Birla SunLife, HDFC StandardLife and LIC has been in single digits throughout the study period which is a good sign. Bajaj Allianz was placed in the fourth position throughout the entire study period and the company was able to reduce its lapse ratio from 21 per cent in 2004-05 to 14 per cent. ICICI Prudential was the last ranked company in this parameter and its lapse ratio which was declining for the period 2004-07 from 36 per cent to 29 per cent and 26 per cent had shot up during 2007-09 to 40 per cent and 53 per cent.
4.6.43 Business Productivity of Agents:

Inspite of the emergence of alternate channels, the traditional agency channel generates the major portion of insurance business. The productivity of the agency force is one of the major determinants of the new business generation capacity of an insurer. Therefore a competent and productive agency force is a significant source of competitive advantage. Taking the average productivity of the agency force for the study period into consideration, we can find that LIC is the leader. The average business generated by an agent of the company is Rs.2.03 lakhs. ICICI Prudential is ranked second with its agents generating an average business of Rs.1.34 lakh, Bajaj Allianz is ranked third with an agent productivity of Rs.1.21 lakh, HDFC StandardLife is ranked fourth with its agents generating average business of Rs.1.04 lakh while Birla SunLife is ranked last with its average agent generating business of Rs.0.87 lakh. It is pertinent to note that the average business generated by an agent of the leading company LIC is 233 per cent higher than that of the business generated by an agent of the last ranked company, Birla SunLife Insurance.

4.6.44 Business Productivity of Unit Managers:

The Unit Managers are responsible for generating and retaining the business of insurance companies. They appoint agents, train them and motivate them to higher levels of performance. Therefore the business productivity of unit managers is a key measure of ascertaining the competitiveness of an insurance company.

LIC is the clear leader in this parameter with the average business generated by its unit managers at Rs.76.34 lakh. The second ranked company is ICICI Prudential with average business generation by its unit managers at Rs.29.76 lakh. The difference in the business productivity of the unit managers between the first ranked company, LIC and the second ranked company, ICICI Prudential is a huge
Rs.46.59 lakh with LIC’s performance being 256.51 per cent higher than that of its nearest competitor. Bajaj Allianz with average unit manager business productivity of Rs.27.34 lakh is ranked third, HDFC StandardLife is ranked fourth with average business generated of Rs.17.4 lakh while Birla SunLife is ranked last at Rs.16.45 lakh.

References (Chapter – IV)

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