Chapter III

Marketing Strategies of the LIC of India
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3.1 INTRODUCTION

“Effective marketing strategies are vital for the survival and growth of companies in the rapidly changing business environment of the 21st century1”. “The success or failure in today’s competitive market is depending on the marketing strategies that they could adopt with all effectiveness2”, Life Insurance is no exception to this rule. The problem is still more serious with the Life Insurance sector as they have to promote strategies to sell more products.

The entry of foreign players brings enormous pressure on the profitable, efficient and socially responsible public Insurance companies of India. Private players have now created vast opportunity for the specific category of professionals and the demand for qualified, skilled, expertise knowledge actuaries have suddenly increased. Foreign and private Insurance players are ready to capture the market by providing the products and services at cheaper rates and also offering unbundled innovative products (Pension market, annuity market etc.,) with a variety of benefits leading to cut throat competition in the existing India Insurance organization. (LIC and GIC).

It is observed that 80 percent of LIC’s business is processed by 20 percent of its ill- trained agent force, whereas the foreign players, with the domestic partner’s strong brand value, can test the unconventional distribution channels like brokers, the internet, the banking distribution system, etc. It is also observed that the public sector insurances concentrate on sale of policies without concentrating much on the service needs of their policyholders. As a result many of the individuals remain under insured3.

The LIC of India has to compete with foreign and private players by adopting effective marketing strategies. The term strategy is used in business to describe how an organization is going to achieve its objectives and mission. Marketing strategies provide concepts and processes for gaining competitive advantages by delivering superior customer value. A successful organization requires to develop competitive marketing strategies. Marketing strategy implies development of an action plan to achieve the marketing objectives. Marketing strategies involve skill and concerted effort on the part of the management to evolve tools and techniques, which are understood and accepted throughout the organization in furtherance of the marketing cause. It has been observed that most profitable businesses have well thought out and well executed strategies. Whereas the least profitable businesses have no explicit strategy, a poorly conceived strategy, or a strategy that the organization cannot successfully execute.

According to Granroos, marketing strategy in the case of services may consist of 1. Traditional External Marketing 2. Internal marketing 3. Interactive marketing. Traditional external marketing consists of the usual four ‘Ps’ viz., Products, Price, Place and Promotion of marketing mix. Internal marketing implies that the service firm must effectively train and motivate its customer friendly employees as well as all the supporting service personnel to work as a team to provide customer satisfaction. Interactive marketing emphasizes that the perceived services quality is highly dependent on the quality of buyer seller interaction. It describes the skill of employees in handling customer contact and covers delivery of the product in a most satisfying manner.

Design an initial marketing strategy for introducing the product into the market, the marketing strategy statement consists of three parts: a) the first part describes the target market; the planned product positioning; the sales, market shares; and the profit goals for the first few years, b) the second part outlines the product’s planned price, distribution and marketing budget for the first year and c) the third part describes the planned long run sales, profit goals and marketing mix strategy.

Marketing strategy is the set of controllable variables and their levels that the life insurance companies use to influence the target market. It means any variable under the control of the life insurance companies that can influence the level of customer response
in a marketing mix variable. A seven factor classification has been given to support this concept namely product, price, promotion and place (four P’s). The study takes into account three more ‘Ps’ namely people, process and physical evidence besides the traditional 4 ‘Ps’ as there is a vital component in the marketing mix of life Insurance companies. In the backdrop of the above concept this chapter attempts to review the marketing strategies adopted by the LIC of India based on seven ‘Ps’ which are explained below.

3.2 PRODUCT STRATEGY

A Company’s primary objective is to develop products that satisfy the customer’s needs. The company’s existence is in trouble if it does not deliver need satisfying product / service. The concept of product extends the applicability of marketing principles to insurance marketing. “A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organizations and ideas.” Philip Kotler describes insurance products as unsought (consumer) goods. “These are consumer goods that the consumer does not know about or knows about but does not normally think of buying.”

In the service industry (including insurance), products are generally intangible in nature. So service differentiation plays a key role in the successful marketing of services. Without the quality of service being recognized and sought by customers, it is difficult to sell a product either to a new customer or to an existing one. In the present competitive environment, this service differentiation assumes greater significance. After the opening up of the life insurance to the private sector, the LIC of India have been putting in more efforts to continuously innovative products offered and the quality of service rendered are going to dominate the market.

In insurance marketing, the differences between products and services have to be considered before chalking out the strategies. Services are quite different from product, where it is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. In insurance marketing products may or may not be tied to a physical product. Banking, medical and professional services, health care, private education, transportation, insurance are a few examples of service industries. There are certain characteristics of services such as intangibility, inseparability, variability, and perishability that pose special challenges for marketers.
Based on the product characteristics, marketers have classified products on the basis of durability, tangibility and usage (industrial or consumer). Each product type will have an appropriate marketing mix strategy. The LIC of India, over a period of 55 years, introduced several innovative products. A few of them are traditional products that have been continued from pre-nationalization days. Life Insurance Corporation of India’s product mix includes whole life policies, endowment policies, term insurance plans, money back policies, children policies, joint life policy, women policy, plans for handicapped dependents, pension plans, unit linked insurance plans, health plan & health protection plus and micro insurance.

In a competitive market, there is a greater need to provide insurance products that meet the needs of our customers. The LIC of India therefore offers a wide variety of products, which fulfills the needs of different segments of the society. They are as follows:

3.2.1 Whole Life Policies

The risk is covered for the entire life of the policyholders. That is why, they are known as whole life policies. The policy money and bonus are payable only to the nominee or the beneficiary upon the death of the policyholder. These policies can be issued either on profit basis or non-profit basis.

i. Whole Life Policy - Premiums are payable for a period of 40 years or up to the age 80 of the life assured whichever is higher. Insurance money is payable on death, whenever that occurs. Once the policy owner reaches the age of 80 (provided at least 40 years premium has been paid), the policy will be treated as matured and insurance money will be paid to the life assured.

ii. Whole Life Policy - Limited payment is a variation of the Pure Whole Life policy except that premiums are payable for a limited period at the choice of the insured.

iii. The Whole Life Policy- Single Premium This is the best form of life assurance for family provision since it enables the Life Assured to pay the premium during the ordinarily vigorous and most productive years of life, relieving him from the

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1 www.licindia.in/individual_plans.htm
necessity of making payments later in life when they might become a burden. With Profits Single Premium policies do not cease to participate in profits after completion of the period for which premium has been paid, but continue to share in the periodical Bonus Distribution until the death of the Life Assured.

iv. **Jeevan Tarang** is a whole of life plan which provides for annual survival benefit at a rate of 5½% of the Sum Assured after the chosen Accumulation Period. The vested bonuses in a lump sum are payable on survival at the end of the Accumulation Period or on earlier death. Further, the Sum Assured, along with Loyalty Additions, if any, is payable on survival to the age of 100 years or on earlier death.

### 3.2.2 Endowment Policies

Endowment policies cover the risk for a specified period at the end of which, the sum assured is paid back to the policyholder, along with the entire bonus accumulated during the term of the policy.

i. **Endowment Assurances Policy** – the face value of the policy will be paid either on death of the insured during the period of insurance or on maturity if the insured survives up to the end of the term.

ii. **The Endowment Assurance Policy-Limited Payment** - Just as in the case of limited payment whole life polices, here, too, the payment of premium can be limited either to a single payment or to a term shorter than the policy. The endowment is, however, payable only at the end of the policy term, or on death of the policyholder if it takes place earlier. If payment of the premiums ceases after at least three years' premiums have been paid, a free paid-up Policy for an amount bearing the same proportion to the sum assured as the number of premiums actually paid bears to the number stipulated for in the policy, will be automatically secured provided the reduced sum assured, exclusive of any attached bonus, is not less than ₹250. Such reduced paid-up Policy will not be entitled to participate in the profits declared thereafter, but such Bonus as has already been declared on the Policy will remain attached hereto.
iii. **Jeevan Mitra (Double/Triple Cover Endowment Plan)** - This is an Endowment Assurance plan that provides greater financial protection against death throughout the term of plan. It pays the maturity amount on survival to the end of the policy term. Premiums are payable yearly, half-yearly, quarterly, monthly or through Salary deductions, as opted by you, throughout the term of the policy or earlier death. This is a with-profit plan and participates in the profits of the Corporation’s life insurance business. It gets a share of the profits in the form of bonuses. Simple Reversionary Bonuses are declared per thousand Sum Assured annually at the end of each financial year. Once declared, they form part of the guaranteed benefits of the plan. A Final (Additional) Bonus may also be payable provided a policy has run for certain minimum period.

iv. **Jeevan Anand** This plan is a combination of Endowment Assurance and Whole Life plans. It provides financial protection against death throughout the lifetime of the life assured with the provision of payment of a lump sum at the end of the selected term in case of his survival. Premiums are payable yearly, half-yearly, quarterly, monthly or through salary deductions as opted by insurer throughout the selected term of the policy or till earlier death. This is a with-profit plan and participates in the profits of the Corporation’s life insurance business. It gets a share of the profits in the form of bonuses.

v. **New Jana Raksha Plan**– This is an Endowment plan suitable for people in rural areas. After payment of atleast two years’ premiums, risk is covered for the next 3 years even if premiums are not paid. Agriculturists who depend on the vagaries of nature find this policy very attractive.

vi. **Jeevan Amrit** - Some people, particularly the younger ones, want to have high cover at a low cost. Further, many of them do not want commitment to pay premiums for a longer duration. LIC’s Jeevan Amrit is most suitable for such persons. Under this plan premium payment is limited to 3 or 4 or 5 years and the premium payable during the first year is higher than the premiums payable in subsequent years.

vii. **Jeevan Vaibhav (Single Premium Endowment Assurance Plan)** is a close-ended single premium endowment assurance plan which offers guaranteed Loyalty Addition, if any, payable on maturity or on death.
This plan offers many convenient premium paying terms. It provides financial protection against death throughout the term of plan with the payment of maturity amount on survival to the end of the policy term. The policy participates in the profits of the Corporation’s life insurance business from the 6th year onwards. It will get a share of the profits in the form of bonus. Simple Reversionary Bonus will be declared per thousand Basic Sum Assured annually at the end of each financial year. Once the bonus is declared, it will form part of the guaranteed benefits of the plan.

This is an Endowment Assurance plan offering the choice of three premium paying terms. It provides financial protection against death throughout the term of the plan with the payment of maturity amount on survival to the end of the policy term. Premiums are payable yearly, half-yearly, quarterly or monthly, as opted by the insurer. The policy provides for the Guaranteed Additions at the rate of ₹ 50/- per thousand Sum Assured for each completed year for first five years of the policy. The Guaranteed Additions are payable along with the Sum Assured at the time of claim.

3.2.3 Term Insurance Plans

In the case of term life insurance contract, the sum assured is payable only in the event of death during the term. In the case of survival, the contract comes to an end at the end of the term. There is no refund of premium. These policies are non-participating. Since only death risk is covered, the premium is low and the contract is simple.

i. The Two Year Temporary Assurance policy is designed for the insuring public who requires risk cover for a maximum of two years. Under the Two Year Temporary Assurance policy a single premium is required to be paid at the outset of the policy to cover the entire period of term. The proposer is required to pay the medical examination fee. The proof of age must also accompany the proposal. The policy issued will be only under the ‘Without Profits’ plan. The policy is not entitled to any surrender value. No loan will be granted against the Two Year Temporary Assurance policy.

ii. Convertible term insurance – This is a term insurance plan for a period of 5 or 7 years. The policy owner has the option of converting it into a limited payment whole Life Insurance or an Endowment Assurance at the end of the term.
iii. **Anmol Jeevan - I** is the cheapest pure life risk plan. Plan is allowed to Physically Handicapped Persons (Group A) with standard extra rates. The basic sum assured under this plan will be the basis for medical examination and sum under consideration (S.U.C).

iv. **Amulya Jeevan – I**: In case of unfortunate death of the Life Assured during the term of the policy, Sum Assured is payable, provided the policy is kept in force. In this policy maturity is nil. The policy shall not acquire any paid-up value. If the Policy has lapsed, it may be revived during the life time of the Life Assured, but within a period of 5 years from the date of first unpaid premium and before the date of maturity, on submission of proof of continued insurability to the satisfaction of the Corporation and the payment of all the arrears of premium together with interest at such rate as may be fixed by the Corporation from time to time compounding half-yearly.

### 3.2.4 Money Back Policies

In money back policies, the policyholder gets periodic payments during the term of the policy and a lumpsum amount on surviving its term or in the event of death. Without any deduction for the amounts paid till date. These type of polices are very popular.

i. **The Money Back Policy-20 Years** Unlike ordinary endowment insurance plans where the survival benefits are payable only at the end of the endowment period, this scheme provides for periodic payments of partial survival benefits as follows during the term of the policy, of course so long as the policyholder is alive. In the case of a 20-year Money-Back Policy, 20% of the sum assured becomes payable each after 5, 10, 15 years, and the balance of 40% plus the accrued bonus become payable at the end of 20th year.

ii. **The Money Back Policy-25 Years** For a Money-Back Policy of 25 years, 15% of the sum assured becomes payable each after 5, 10, 15 and 20 years, and the balance 40% plus the accrued bonus become payable at the end of 25th year. An important feature of this type of policies is that in the event of death at any time within the policy term, the death claim comprises full sum assured without deducting any of the survival benefit already paid. Similarly, the bonus is also calculated on the full sum assured.
iii. **Jeevan Surabhi plan (15 years, 20 years and 25 years)** is similar to other money back plans. However main differences in regular money back plans and Jeevan Surabhi are as under: Maturity term is more than premium paying term. Early and higher rate of survival benefit payment. Risk cover increases every five years. The actual term and the premium paying term for these plans are as under.

<table>
<thead>
<tr>
<th>Plan no.</th>
<th>Policy Term</th>
<th>Premium Paying Term</th>
</tr>
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<tbody>
<tr>
<td>106</td>
<td>15 years</td>
<td>12 years</td>
</tr>
<tr>
<td>107</td>
<td>20 years</td>
<td>15 years</td>
</tr>
<tr>
<td>108</td>
<td>25 years</td>
<td>18 years</td>
</tr>
</tbody>
</table>

Full sum assured is paid back as survival benefit by the end of premium paying term. However, the risk cover and additional risk cover continue and the policy participates in profits till the end of policy term. Accident Benefit is restricted to the premium paying period and to the overall limit of ₹5 lakhs on a single life.

iv. **Bima Bachat** is a money-back policy which offers financial security and assurance to the policyholder and his family. Bima Bachat requires the policyholder to pay only one premium. The amount paid for the premium depends on the duration of the policy taken and sum assured.

### 3.2.5 Children Policies

The LIC of India has several policies for children – Jeevan Anurag, Children Deferred Assurance Plans, Assurance Plan, Jeevan Kishore, Jeevan chhaya, Komal Jeevan, Child Career Plan & Child Future Plan to protect the interest of children.

(i) **Jeevan Anurag** is with profits plan specifically designed to take care of the educational needs of children. The plan can be taken by a parent on his or her own life. Benefits under the plan are payable at pre-specified durations irrespective of whether the Life Assured survives to the end of the policy term or dies during the term of the policy. In addition, this plan also provides for an immediate payment of basic sum assured amount on death of the life assured during the term of the policy.
(ii) **Children's Deferred Endowment Assurance Plan (Vesting At 18 and 21)** - This is an Endowment Assurance plan designed to enable a parent or a legal guardian or any near relative of the child (called proposer) to provide insurance cover on the life of the child (called life assured). The plan has two stages, one covering the period from the date of commencement of policy to the Deferred Date (called deferment period) and the other covering the period from the Deferred Date to the date of maturity. The insurance cover on the child’s life starts from the Deferred Date and is available during the latter period. The Deferred Date in case of Plan No 41 is the policy anniversary date coinciding with or next following the date on which the child completes 21 years of age. In case of Plan No. 50 it is the policy anniversary date coinciding with or next following the 18th birthday of the child.

(iii) **Jeevan Kishore**: This policy is issued with profit, but bonus for waiting period will vest immediately on the policy anniversary from which risk is covered or at the end of 5 years from commencement of the policy whichever is later, provided the policy is in force. No medical examination is necessary. This policy issued to the children age group of one to twelve years.

(iv) **Marriage Endowment or Education Annuity Plan** – This is an Endowment Assurance policy. If death occurs during the period of insurance no immediate payment is made. Payment in lump sum (in case of marriage Endowment) and in half-yearly installments over a period of 5 years (for Education Annuity) from date of maturity only. Several benefits are available on maturity.

(v) **Jeevan Chhaya**: It is a plan where financial protection is given against death during the term of the plan. It is an Endowment Assurance plan. Besides this benefit one-fourth of Sum Assured is payable at the end of each of last four years of policy term irrespective if the life assured dies or survives the duration of the policy.

(vi) **Komal Jeevan**: Under this children’s plan, the payment of premium ceases on policy anniversary immediately after the child attains 18 years of age. Risk under this plan will commence either after 2 years from the date commencement of the policy or from the policy anniversary immediately following the completion of 7 years of age, whichever is later. The close relations such as grandparents, elder brothers or sisters, uncles both from paternal or maternal side can gift ‘single premium policy’ for love
and affection this plan. In such cases also, the policies will be proposed by father, mother or legal guardian.

(vii) **Child Career and Child Future Plans:** These two plans are designed to meet educational and other needs of growing child & also provide risk cover on the life of the child not only during the policy term but also during the extended term. Policy term is equal to maturity age minus age at entry. Policy can be taken for any maturity age between 23 & 27 years.

(viii) **Jeevan Ankur** - LIC’s Jeevan Ankur is a conventional with profits plan, specially designed to meet the educational and other needs of your child. If you are the parent of a child aged upto 17 years, LIC’s Jeevan Ankur is the most suitable insurance plan for you which ensures that your responsibilities are met whether you survive or not and without depending on anyone else. The risk cover under this plan will be on your life as a parent and the named child shall be the nominee under the plan. The policy term shall be based on the age at maturity of the child.

3.2.6 Joint Life Policy

**Jeevan Saathi** is a joint life assurance for husband and wife. During the period of insurance, upon the death of one partner, the insurer pays the face value of the policy but subsequently risk coverage continues on the survivor till the date of maturity. Premiums payable from the date of death of first life are waived. On maturity or on the death of second life, if earlier, face value of the policy is paid. Jeevan Saritha is also a joint life assurance for husband and wife but provides benefit of joint life and last survivorship annuity also apart from lump sum payment on death or maturity.

3.2.7 Women Policy

**Jeevan Bharati – 1** is exclusively for women encouraging them to save for SAFETY & SECURITY. This is like a money Back plan with 15 & 20 years term where 20% of the sum assured is paid at the end of every 5 years and on maturity, the balance sum assured will be paid along with Reversionary Bonus & Final Additional Bonus if any. Apart from the above, this plan offers following 3 optional Riders by payment of additional premium, 1. Accident Benefit Rider, 2. Critical illness Rider & 3. Congenital Disability Benefit Rider

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3.2.8 Plans for Handicapped Dependents

Currently two plans are available to purchase for handicapped dependent. They are:

1. Jeevan Adhar: The benefits under the plan are for the handicapped dependant which are partly in lump sum and partly in the form of an annuity.


3.2.9 Pension Plans

Pension plans are individual plans that gaze into your future and foresee financial stability during your old age. These policies are most suited for senior citizens and those planning a secure future so that you never give up on the best things in life.

Jeevan Akshay - VI: It is an Immediate Annuity plan, which can be purchased by paying a lump sum amount. The plan provides for annuity payments of a stated amount throughout the life time of the annuitant. Various options are available for the type and mode of payment of annuities. Premium is to be paid in a lump sum. Minimum purchase price: ₹100,000/- for all distribution channels except online. ₹150,000/- for online sale. No medical examination is required under the plan. No maximum limits for purchase price, annuity etc. Minimum allowed age at entry is 30 years (completed) and Maximum allowed age at entry is 85 years (completed). Age proof necessary.

3.2.10 Unit Linked Insurance Plans

Unit linked plans are combination of an investment fund (like mutual fund) and an insurance policy. Unit linked plans offer a long-term investment option where return is linked to the market performance but at the same time there is no compromise on protection. Premiums received from the customers are utilized for purchasing units at the prevailing prices. The daily unit price is calculated on the basis of the market value of underlying assets (bonds, equities, government securities, etc.). Premiums paid by the customer, less the charges like management/administrative expenses, are utilized for purchasing units at the prevailing unit price of the day. Premiums are invested on the basis of predetermined option of the customers.
Endowment plus which offers investment cum insurance cover during the term of the policy. You can choose the level of insurance cover within the limits, which will depend on the mode and level of premium you agree to pay. You have a choice of investing your premiums in one of the four types of investment funds available. Premiums paid after deduction of allocation charge will purchase units of the Fund type chosen. The Unit Fund is subject to various charges and value of units may increase or decrease, depending on the Net Asset Value (NAV).

3.2.11 Health Plan

Unit linked health insurance plan is a combination of Health Insurance and investment with an objective of income and growth with low risk. Health is a major concern on everybody’s mind these days. With sky rocketing medical expenses, the possibility of any illness leading to hospitalization or surgery is a constant source of anxiety unless the family has actively provided for funds to meet such an eventuality. Most families rarely provide for healthcare, and even if they do, it is grossly inadequate. Given this scenario, LIC has launched two plans health plus and health protection plus.

1. Health Protection Plus, a unique long term health insurance plan that can combine health insurance covers for the entire family (husband, wife and the children) Hospital Cash Benefit (HCB) and Major Surgical Benefit (MSB) along with a ULIP component (investment in the form of Units) that is specifically designed to meet Domiciliary Treatment Benefit (DTB) / Out Patient Department (OPD) expenses for the insured members.

2. Jeevan Arogya – A unique non-linked Health Insurance plan which provides health insurance cover against certain specified health risks and provides you with timely support in case of medical emergencies and helps you and your family remain financially independent in difficult times.

3.2.12 Micro Insurance

Still a vast majority of people in rural and urban areas remained uninsured particularly those who are in lower income states and cannot afford insurance at normal

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price. In order to cover a large section of uninsured, particularly among the vulnerable sections of society, a new product ranged at a cheaper price was required to be launched and that ideal product was ‘micro insurance’.

1. **Jeevan Madhur** - It is a simple savings related life insurance plan where you may pay premiums regularly at weekly, fortnightly, monthly, quarterly, half-yearly or yearly intervals over the term of the policy.

2. **Jeevan Mangal** – It is a term assurance plan with return of premiums on maturity, where you may pay the premiums either in lump sum or regularly at Yearly, Half Yearly, Quarterly, Monthly, fortnightly or weekly intervals over the term of the policy.

3. **Jeevan Deep** - It is a simple savings related life insurance plan with Guaranteed Additions where you may pay premiums either in lump sum or regularly at monthly, quarterly, half-yearly or yearly intervals over the term of the policy.

3.2.13 **Bima Account - I**

“LIC’s Bima Account – I” is a simple non-linked plan under which you can be covered without undergoing any medical examination subject to certain conditions. This plan offers you everything you think of an insurance plan should provide Simplicity, Liquidity, Guaranteed minimum return, No medical examination, Transparent charges and Risk cover.

3.2.14 **Bima Account - II**

“LIC’s Bima Account - II” is a simple non-linked plan which offers you everything you think of an insurance plan should provide Simplicity, Liquidity, Guaranteed minimum return, Transparent charges and Risk cover.

In product strategy, it includes minimum age at entry, maximum age at entry, maximum maturity age, minimum sum assured, maximum sum assured, sum assured in multiplies, actual sum assured, minimum term, maximum term, mode rebate, risk coverage, duplicate policy bond, tax benefits, dating back, policy loan facility, premium waiver benefits, details of assignment, nomination facility, revival facility, surrender value of policy, survival benefits, maturity benefits, claim settlement, variety of policies and attractive schemes, term rider benefits, critical illness benefit rider, key-man insurance and option to switch between funds were considered for this study.
3.3 PRICE STRATEGY

Price is the mean of setting the exchange value between two parties. Price, in marketing mix terms, covers all aspects of pricing such as discount pricing, extended credit, list price, and payment period (Woodruffe, 19951). Kandampully (2002)2 describes—Pricing in service organizations is less influenced by cost, but more by customer’s perceptions of quality, satisfaction, and value. The actual pricing of a service is thus often determined by matching the customer’s perception of value. With this pricing method, pricing is considered as a marketing mix variable, thereby considered together with the other marketing mix variables before a marketing program is put together (Nagle and Holden, 20023). Zeithaml and Bitner (2003)4 defines three basic marketing price strategies which service companies can attend, the strategies are competition–based, cost–based, and demand–based pricing strategies. Pricing in life insurance is somewhat complex as compared to the pricing strategies of other financial products. The price (premium) for a life insurance product is determined by expected claim costs, investment income, administrative costs, and fair profit loading (Harrington and Niehaus, 20045). The claims cost is based on the mortality rate realized on different age groups. The Actuary on considerations that depend on the experience of the insurer in the past and his assessment of the trends in the future decides the premium rates. Pricing in today’s insurance business environment requires actuaries to be knowledgeable in an ever-expanding group of issues because of the nature of diversified products. In case of life insurance, there is limited scope to use price as a strategic weapon.

In pricing strategy, Premium charged, mode of premium payment, grace period available to pay premium (extra days allowed for remitting premium), interest for delayed payment of premium, rebate/discount on premium for annual and half yearly

payment, single premium plan (received by insurer in a lump sum), rate of interest charged on policy loan, additional premium payment for benefit of premium waiver and term rider and way of premium payment were considered for this study.

3.4 PROMOTION STRATEGY

The ‘promotional mix’ is a term used to describe the set of tools that a business can use to communicate effectively the benefits of its products or services to its customers. Market communication performs three basic roles in marketing—to inform, to persuade, and to remind. Traditional promotion employs a variety of methods—including advertising, sales promotion, public relation, and personal selling—to attract the attention of existing and potential customers, and to inform them of the products, services, and special offers made available by the firm (Peattie, and Peattie, 1994). Each of the categories of promotion mix has now become familiar in many areas of services marketing. In case of life insurance services, promotion is done through a mix of advertising, personal selling, and sales promotion. Promotion communicates with the potential market so as to persuade the prospective customers to try a new insurance product (Periasamy, 2005).

Online advertising is one marketing tool that is worth the money. As the Internet takes on more power and influence all of the time, having a web presence will put an insurance company on the cyber map and get it noticed. Block line advertising in trade journals, industry publications and periodicals is the way to go. Television ads and print ads are excellent forms of insurance marketing. All life insurance companies have started using PR tools to make better image about them in the minds of general public. Personal selling is extremely labour intensive but is the best form as far as insurance is concerned, dealing with one customer at a time.

In promotion strategy, effectiveness of advertisement (TV, Radio, Newspaper, etc), personal canvassing of development officers and agents, periodical agents and policyholders meet, intimation of new policies through various correspondence (premium Intimation letter, loan intimation letter, intimation of maturity of policy), reminders

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(premium intimation letter), educating policyholders who visit the LIC branch offices (regarding products, premium payments, savings, income, investment etc.,) agent’s approach to policyholders (more professional approach, quickly handles queries, good communication skills, solving problems) promotion of number of insured under bancassurance were considered for the study.

3.5 PLACE OR PHYSICAL DISTRIBUTION STRATEGY

Place is another important element of marketing mix. Place refers to the location where the product or service is available to the customer, including distribution channels. Place contributes an important factor in the marketing of services (Bitner, 1990). In case of life insurance, it is a combination of decisions regarding channels of distribution. The emerging new opportunity for life insurance companies towards integration of the financial services industry is bancassurance (Aggarwal, 2004). Bancassurance prospects in India are really bright because huge banking infrastructure across urban, semi–urban and rural India (Neelamegam and Veni, 2008) and life insurers are using this channel (Shukla, 2006). New distributors like stockbrokers, financial planners, general agents, and financial institutions etc. involve lower distribution costs, variable as opposed to fixed expenses, lower front–end commission costs, and the opportunity of selling the products in conjunction with other investment–related products (Chandler, 1994). Strategy of worksite marketing is more useful in case of marketing of pension and health plans. The widespread diffusion of the Internet has created an explosion in the growth of electronic channels, including direct channels (that is, individual company web sites), electronic markets, or electronic intermediaries over which multiple buyers and sellers do

business (Malone, Yates, and Benjamin, 1987\(^1\)), and other cybermediaries (Sarkar, Butler, and Steinfield, 1995\(^2\)). However, consumers have not shown a marked preference for purchasing insurance product via the Internet (Trembly, 2001\(^3\)). The traditional system of —agents is the dominating one in India and this will continue to be a major distribution channel for insurers, since this system has core roots in rural sector.

To study the place strategy, direct marketing, individual agents, insurance brokers, bancassurance (corporate agents banks), other corporate agents, e-insurance/net marketing were considered for the study.

**3.6 PEOPLE STRATEGY**

People, process, and physical evidence are the three —Ps, which are especially applicable to services marketing mix (Booms and Bitner, 1981\(^4\)). These three elements are highly interrelated with each other. People are the main critical resource in any organization, particularly service organization. Because of the simultaneity of production and consumption in services, the service staff occupies the key position in influencing customer’s perceptions of service quality. Woodruffe (1995) solely uses service personnel in the —People part of the services marketing mix. Recruiting the right staff and training them appropriately in the delivery of their service is essential, if the service provider wants to obtain a form of competitive advantage. Life insurance companies have to give more attention in training and development their employees and agents. Building strong relationship with their agents as well as the customers will help in meeting customer’s needs and serving them efficiently. Satisfaction depends on the nature of interaction between customers and the people representing insurance companies. Training the employees and agents to introduce new products and use of information technology for efficiency both at staff and agent level are the key areas to look into.

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To study the people strategy, more frequent interaction by agent, development officer, LIC officials to know policyholders needs, wants, ideas and complaints, uninterrupted service is being provided at all counters of the branch office during working hours, answering queries of policyholders over telephone/mobile phones by agents regarding with policies, knowledge of branch employees and officials about the insurance products, services and details of policyholder profile, development of utmost good faith between the LIC of India and policyholders by employees, officials, agents, development officer, etc., servicing time in branch office for premium payment, helpfulness of branch manager/officials to the policyholders while facing any problem in surrendering, claim settlement, maturity etc., customer friendliness of the employees, officials, development officer, etc., were considered for the study.

3.7 PROCESS STRATEGY

A process is the method and sequence of actions in the service performance. Unlike goods, services are processes. Services are the end results of deeds, acts, performances, and activities performed by the firm’s employees alone or in conjunction with various equipments, machinery, facilities, and so on. In assessing process, customers evaluate whether the service follows a production-line approach or whether the process is a customized one in which the customer is given personalized attention (Bowen and Lawler, 1992①). Shostack (1984②) points out that since services are intangible and therefore described in words by people, companies have to be really clear in defining the service process. The risks of relying on words alone in describing services are the oversimplification of the service, incompleteness of the description, subjectivity of different readers and the biased interpretation of the words used to describe the service (Shostack, 1987③). This process involved in life insurance industry should be customer friendly. The speed and accuracy of payment is of vital important. The process methodology of life insurers should be such that it provides total ease and convenience to

the customers. Badly designed and poor processes lead to slow and inefficient delivery and make it difficult for insurance employees and agents to do their job well. Consequently it will result in low productivity and service failures.

In process strategy (Procedural aspect is called as Process Strategy), time taken for taking policy, getting policy document, revival, getting loan, claim settlement and surrender of policy, more information about various products and services in branch office, essential services offered for the first time without discomforting the customer, effectiveness of grievance redressal mechanism, improvement of quality of service of LIC through different distribution channels to policyholders, premium paid certificate for claiming tax benefits and customer-contact employees (insurance surveyors, loss assessors, insurance advisors, agents and brokers) interact with customer during the service delivery were considered for the study.

3.8 PHYSICAL EVIDENCE STRATEGY

The physical evidence is defined as the environment in which the service is delivered and where the service provider and the customers interact, and any tangible commodities that facilitate performance or communicate the service. According to Zeithaml and Bitner (2003\(^1\)), to evaluate services before its purchase and to assess their satisfaction with the service after it is bought, customers tend to rely on tangible cues, or physical evidence. The appearance of building, landscaping, interior furnishing, equipments, printed materials, and other visible cues all provide tangible evidence of a firm’s service quality. This sort of physical evidence provides excellent opportunities for a service firm to send clear and consistent marketing messages regarding the firm’s purpose the intended market segment, and the nature of the service (Bitner, 1992\(^2\) and 1996\(^3\)). In case of insurance business, apart from office environment, materials such as brochures, policy documents, and periodic statements are the tangibles, which will influence the customers. Insurance companies and intermediaries need to manage all these physical evidences

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carefully as they can have a profound impact on the impression of the customers. Although all insurance companies provide similar essential service, the differences that do exist are the physical evidence.

In physical evidence strategy (it brings tangibility to the invisible service and helps customers to understand what they are buying and why they should buy it), exterior facility (buildings, exterior design, parking, surrounding environment, signage, landscape) in the LIC of India, interior facility (interior decor (or) design, layout, signage, equipment, lifts, ventilation, proper seating, sidewalks for every movements, etc.) in the LIC of India, location of the LIC of India branches, appearance of personnel (agents, officials and employees of the LIC of India), details of policy document, physical attributes (brand name, logos, consistent standards, the LIC diaries, calendars, magazines), insurance agent for the first time relies on tangible clues such as information brochures, agents behavior, identity proof etc., service standards, guarantees and testimonials by company’s experts were considered for the study.

3.9 CONCLUSION

In this chapter an attempt has been made to bring out the marketing strategies of the LIC of India with the mixture of the seven ‘P’s namely Product, Price, Promotion, Place, People, Process and Physical Evidence. Marketing strategy implies development of an action plan to achieve the marketing objectives. Marketing strategy is a composite of Insurance services, widely known as marketing mix, suitable to the people of India and capable of meeting institutional objectives in the light of fast changes in the requirements of life insurance policyholders of different socio-economic profile. Thus it is concluded that the strategy of the insurance companies needs to be regularly monitored and reviewed to keep the life insurance effective and viable.