CHAPTER - II

PROFILE OF SELECT LIFE INSURANCE COMPANIES AND THEIR PRODUCTS

2.1 INTRODUCTION

Life insurance companies have to adopt some means to delight and allure the policyholders through their products and services. It is not only important to introduce innovative products catering to the needs of the customer but also to undertake effective steps for marketing them. Life insurance is a way to meet the contingencies and today, the market is flooded with many private life insurance companies with a wide range of products. In the financial year 2012-2013 the industry has witnessed a de-growth of 6.3% in new business premium income. With low insurance penetration as compared to the large Indian population base, there is tremendous scope for the life insurers to capitalize on. The study covers:

- SBI Life Insurance Company Ltd
- ICICI Prudential Life Insurance Company Ltd
- Life Insurance Corporation of India

LIC of India is a public sector undertaking while SBI Life and ICICI Prudential Life are in private sector. Among more than twenty private life insurance companies, these two companies were selected because of highest market share in the preceding years.

2.2 SBI LIFE INSURANCE COMPANY LIMITED

SBI Life Insurance Company limited is a joint venture between the State Bank of India and BNP Paribas Assurance. SBI Life Insurance is registered with an authorized capital of Rs.2,000 crores and a paid-up capital of Rs.1,000 crores. SBI owns 74 percent of the total capital and BNP Paribas Assurance the remaining 26 percent. State Bank of India enjoys the largest banking franchise in India. Along with its 7 associate banks, SBI Group has the unrivalled strength of over 14,500 branches across the country, arguably the
largest in the world. Euro Zone’s leading Bank BNP Paribas, part of the world’s top 10 group of banks by market value and part of Europe’s top 3 banking companies, is one of the oldest foreign banks with its presence in India dating back to 1860. BNP Paribas Assurance is the fourth largest life insurance company in France and is a worldwide leader in creditor insurance products offering protection to over 50 million clients. BNP Paribas Assurance operates in 41 countries mainly through the bancassurance and partnership model. Reflecting on its sustained superior efficiency in business operations, SBI Life Insurance posted a record profit of Rs.622 crores, during the financial year ended on 31st March, 2013, an increase of 12% over the last financial year 2011-12. Distinctively, the operational efficiency has been the key driver of SBI Life’s profitability. The company ranks number one amongst private life insurers, in New Business Premium (NBP), for the Financial Year 2012-13, as per the latest report from IRDA.

**Vision:** To be the most trusted and preferred life insurance provider.

**Mission:** “To emerge as the leading company offering a comprehensive range of life insurance and pension products at competitive price, ensuring high standards of customer satisfaction and world class operating efficiency and has become a model life insurance company in India in the post liberalization period”.

**Values:** Trustworthiness, Ambition, Innovation, Dynamism, Excellence.

**Multi-Distribution Model**

SBI Life has a unique multi-distribution model encompassing vibrant Bancassurance, Retail Agency, Institutional Alliance and Corporate Solution channels. SBI Life extensively leverages the State Bank Group relationship as a platform for cross-selling insurance products along with its numerous banking product packages such as housing loans and personal loans. SBI’s access to over 100 million accounts across the country provides a vibrant base for insurance penetration across every region and economic strata in the
country, thus ensuring true financial inclusion. Agency channel, comprising of the most productive force of over 80,000 Insurance Advisors, offers door to door insurance solutions to customers. In Salem district SBI Life is having two offices, one in Salem city and another in Attur.

**Key milestones**

SBI Life has been ranked as the 'Most Trusted Private Life Insurance Brand, 2012', for the second consecutive year, by The Economic Times, Brand Equity and Nielsen. It has also been bestowed with the following prestigious awards as recognition of performance excellence:

- The coveted Indian Merchant Chamber (IMC)'s 'Ramkrishna Bajaj National Quality Award, 2012' in Service sector.
- The Indian Insurance Award 2012 – 'Claims Service of the Year Award' and 'Under-Served Market Penetration Award'.
- Dun & Bradstreet - PSU Award 2012 for the 'Top Indian Private Sector Enterprise' in the Insurance sector.
- Recognized amongst India's Top-50 'Best Companies To Work For, 2013' in a study conducted by Great Place to Work Institute.
- The Global Performance Excellence Award, 2013' by Asia Pacific Quality Organization (APQO).
- Won the 'Best Employer' Brand Award at IPE BFSI Awards.

In addition,

- CRISIL has reaffirmed its 'AAA / Stable' rating to SBI Life, indicating highest financial strength to meet policyholder obligations.
- ICRA has reaffirmed its 'iAAA' rating indicating highest claims paying ability and a fundamentally strong position.
- Received ISO 10002: 2004 Certification for Complaints Management System (CMS).

All these achievements have been made possible primarily by the untiring efforts of the employees of SBI Life.
EXHIBIT 2.2.1

NEW BUSINESS PREMIUM AND TOTAL MARKET SHARE

Source: Annual Report of SBI Life 2012-13

EXHIBIT 2.2.2

NEW BUSINESS PREMIUM TREND

Source: Annual Report of SBI Life 2012-13
2.3 ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED

ICICI Prudential Life Insurance Company is a joint venture between ICICI Bank and Prudential Ltd, a financial services group based in UK. The Company started its operations in India during the year 2000 with a capital base of Rs.42.72 billion, 74 percent stake with ICICI Bank and the remaining 26 percent with Prudential Ltd. The company has over 2000 branches and 24 bancassurance partners (Selling Life Insurance Product through bank). Apart from the traditional life Insurance products, ICICI Prudential also offers life, pension and health insurance policies for NRIs. The company has also given provision to its customers to buy insurance online as well as online premium payment. The ICICI Prudential Life Insurance Company Limited Board comprises of reputed people from the finance industry both from India and abroad.

Since the liberalization of Indian insurance sector, ICICI Prudential Life Insurance has been one of the earliest private players. Since the time, ICICI Prudential Life has been the leader in terms of market share as indicated by the IRDA (Insurance Regulatory and Development Authority, the regulator for Indian Insurance Industry). In June, 2009 ICICI Prudential Life Insurance has decided to snap its tie up with TTK Healthcare to settle insurance claims of its users. ICICI Prudential's life insurance products may be loosely categorized under four forms- Life Plans (further categorized into Term Plans and Wealth Plans), Child Plans, Retirement Plans and Health Plans.

Distribution network

ICICI Prudential has very strong distribution network among all insurance companies. As on June 30, 2011 ICICI Prudential Life Insurance has a network of approximately 1,400 offices and over 1,75,000 advisors. Their online products are available through their websites directly. In Salem district ICICI Prudential Life Insurance Company is having an office at Salem city.
Marketing campaigns

ICICI Prudential has excellent recall value because of their successful advertisement campaigns. The common man mascot, Chintamani was a huge success for ICICI Prudential. The advertisements featuring Chintamani focused mainly on tax benefits, health and other similar aspects. There have been also regular advertisements on pension products and “Jeete Raho” campaign. Recently ICICI Prudential signed up with Bollywood actor Amitabh Bachchan to be its brand ambassador.

Distinctions

ICICI Prudential has been conferred with the following awards:

- ICICI Prudential is the first private life insurer in India to have received a National Insurer Financial Strength rating of AAA from Fitch ratings.
- ICICI Prudential has also been voted as India's ‘Most Trusted Private Life Insurer’ for three consecutive years.
- ICICI Prudential Life Insurance has been conferred the ‘Insurance Company of the Year Award 2011’ and ‘Company of the Year Award 2011 – Life Insurance’ at The Indian Insurance Awards 2011 instituted by the reputed insurance journal of India ‘Insurance Review’.
- Awarded the prestigious award for the ‘Best Leading Private Player – Life Insurance 2011’ at the CNBC TV18.
- The product ICICI Pru iCare has been voted the best product of the year in 2012.

2.4 LIFE INSURANCE CORPORATION OF INDIA

The Life Insurance Corporation of India is the largest life insurance player in India and it is fully owned by the Government of India. The Life Insurance Corporation of India came into existence in September, 1956. The President of India issued an ordinance on January 19, 1956 providing for the taking over, in public interest of the management of life insurance business. In June, 1956, the Parliament passed a bill for nationalization of life insurance business in India and for setting up a corporation as the sole agency for
carrying on this business in India. The Corporation set up under this Act is named as Life Insurance Corporation of India (LIC) and the Act is named as Life Insurance Act, 1956. In Salem district LIC of India is having one Divisional Office, one Career Agent branch and seven branch offices at Attur, Mettur, Sankagiri, Omalur, Salem east, Salem north and Salem south.

CORPORATE OBJECTIVES OF LIC OF INDIA

Till 1973 LIC of India had not developed its corporate objectives. It was only in June, 1974 LIC of India has formulated the following corporate objectives:

- Spread life insurance much more widely and in particular to the rural areas and to the economically and socially backward classes to reach all insurable people in the country and to provide them adequate financial cover against death at a reasonable cost.
- Maximize mobilization of peoples’ savings by making insurance linked savings adequately attractive.
- Bear in mind, in the investment of funds, the primary obligation to its policyholders, whose money it holds in trust, without losing sight of the interest of the community as a whole; the funds to be developed to the best advantage of the investors as well as the community as a whole, keeping in view national priorities and obligations of attractive return.
- Conduct business with utmost economy and with the full realization that the money belongs to the policyholders.
- Act as trustees of the insured public in their individual and collective capacities.
- Meet the various life insurance needs of the community that would arise in the changing socio and economic environment.
- Involve all people working in the corporation to the best of their capability in furthering the interests of the insured public by providing efficient service with courtesy.
- Promote amongst all agents and employees of the corporation a sense of participation, pride and job satisfaction through discharge of their duties with dedication towards achievement of corporate objectives.

FUNCTIONS OF LIFE INSURANCE CORPORATION OF INDIA

LIC performs the functions through a Central office, Zonal offices, Divisional offices, Branch offices and Development Centers.

Central office

The central office is located at Mumbai. The central office of the corporation is a policy making and coordinating body and its direct executive responsibility is only in a very limited field. Mainly, it coordinates the activities of the various zones and confines itself to give broad policy directions and decisions on Inter-zonal matters. Investment policy and investing of funds in accordance with it are the sole responsibilities of the central office. In addition to formulation of underwriting standards, the central office also does underwriting of proposals for large amounts and for substandard lives beyond the authority delegated to the Divisional offices. Submission of returns in accordance with statutory requirements is the sole responsibility of the central office. Standardization of procedures and forms, drawing up of prospectus, premium rates, policy conditions and making arrangements with regard to reinsurance are also looked after by the central office. It has also been the responsibility of the central office to conduct national publicity campaigns on a wide scale, inspection of the various offices of the corporation and also the financial internal audit of the branches, Divisional and Zonal offices. A Research and Statistics Bureau has been set up for research on specific lines and the policy decisions are made by the Chairman.

The Chairman is the chief executive of the corporation. He is assisted by two Managing Directors. The central office consists of 13 major departments, each of which is headed by an Executive Director/Chief. The functions of each department have been varying from time to time. The total number of departments has been also changing according to the needs of the
corporation. At present, there are three Executive Directors viz., Executive Director (Marketing), Executive Director (Building) and Executive Director (Personnel). The Managing Director (I) is in overall charge of the Actuarial, Accounts and Legal Departments. The Managing Director (II) is in overall charge of the Organization and Methods, Integration and complaints, Internal Audit, Housing and Mortgage, Development and Building Department.

The Executive Director (Marketing) is in direct charge of Marketing, Foreign Business, Training of Marketing staff and Publicity. He is assisted by the Secretary (Marketing), Development Secretary (Foreign) and the Public Relations Officer. The Marketing Department deals with the planning and development of new business, opening of new offices and matters relating to Development Officers and Agents of the corporation. The Foreign Department handles all the foreign business of the corporation and is under the charge of the Development Secretary (Foreign). The Public Relations and Publicity Department is under the charge of the Public Relations Officer and it deals with all matters connected with publicity programs of the corporation, public relations and preparation of sales aids.

The Executive Director (Personnel) is in charge of the department of secretarial, personnel, training of administrative staff, inspection, industrial relations and integration complaints. The Personnel Department deals with all matters of policy relating to the officers and staff of the corporation and also such matters relating to individual employees as may require consideration at the central office.

The “Training” Wing of the Department has been formed to make arrangements for the training of administrative staff so as to meet the increasing need for a well trained organization to man the various offices of the corporation.

The Chief (Personnel and Industrial Relations) looks after the Industrial Relations and Integration Complaints Department and the Inspection wing. The “Integration” wing is charged with the responsibility of preparing for the
decentralizations of the existing business and also of ensuring that uniformity of procedures is introduced in all the units. The wing is also handling complaints received from the policyholders.

The “Inspection” wing is responsible for a periodical inspection of the various offices of the corporation in accordance with its regulations. These periodical inspections keep a watch on the working of the various offices of the corporation particularly to ensure that it is in tune with the various established principles and manuals.

The Chief (Investment) has under him the Investment Department. This Department is in charge of actual day to day management of the investment portfolio. There is a Research wing attached to this department. The work relating to the Investment committee is also looked after by the Investment Department.

The Actuarial Department is under the charge of the Executive Director (Marketing) and controls the actuarial work in all the zones and also keeps under constant review the underwriting methods and standards of the offices. It has also under it a central undertaking section for underwriting proposals for large amount and on substandard lives.

The objectives of the Organization and Methods Department include a continuous review of the administrative procedures in the light of experience, with a view to simplify and improve them and examination of such question as staff requirements, work-loads, economy measures, etc.

The chief (Accountant) has under him the Accounts Department. The main function of the Accounts Department of the Central office is to coordinate and consolidate the accounts of various units and offices of the corporation in addition to revive the accounting procedure of the Corporation. The Chief Accountant also advises the Corporation on all matters having financial implications.

The Audit and Inspection Department is under the charge of the Secretary (Audit and Inspection). The principal function of the department is
to make concurrent audit of the transactions of the corporation as recorded in the books of accounts of the various offices in the light of the administrative policy, standards and procedures laid down for the purpose.

The Chief (Legal, Mortgage and Policyholders) has under him a legal Department whose main functions are to advise other departments on legal issue and to look after the conduct of litigation in courts.

The Mortgage Department which is under the charge of the Chief (Legal Mortgage and Policyholders) has been set up to look after the development of mortgage schemes of the Corporation.

The Corporation has set up a Building Department and Housing Department under the charge of the Executive Director (Buildings). The Department is responsible for planning and executing building and housing construction programmes and development of Corporation’s properties. They are charged with the general maintenance work of the Corporation’s properties and residential quarters for the Corporation’s employees.

There are Financial Advisors and Chief Vigilance officers who are performing their respective functions at the central office.

Zonal Offices

There are seven zonal offices located at Mumbai, Kolkata, Delhi, Chennai, Kanpur, Hyderabad and Bhopal. Each Zonal office is in charge of a number of Divisions and has authority to execute decisions of the corporation and to coordinate the working of those Divisions. It is the primary responsibility of the zonal office to ensure that uniformity of working is maintained and efficiency is kept at the highest level. Zonal offices perform the functions through accounting, marketing, personnel, legal, establishment and estate management, buildings and engineering and mortgage departments.

Divisional Offices

There are 100 Divisional offices which are under the charge of Senior Divisional Mangers or of Divisional Managers in different parts of the country. Development of organization, new business planning and executing various
new business, policyholders’ servicing, underwriting of new business as well as scrutiny and settlement of claims, maintenance of accounts are the primary functions of the Divisional office. Each Divisional office has the following departments such as:

- New Business Department
- Policyholders’ Servicing Department
- Cash and Accounts Department
- Marketing Department
- Personnel and Establishment Department

**Branch Offices**

There are 2048 Branch offices at present under the control of various Divisional offices. Normally, a Branch office is constituted on the basis of at least Rs.1 crore or more business during the year. Generally the Branch office has the following departments such as:

- New Business Department
- Policyholders’ Servicing Department
- Cash and Accounts Department
- Marketing Department
- Personnel and Establishment Department

**Development Centers**

In many underdeveloped areas, offices are being opened which are termed as Development Centers, with a view to develop business, recognizing that though the areas have enough potential, it would need some time before this can be fully tapped.

**SERVICES RENDERED BY LIC OF INDIA**

LIC of India is rendering so many services for the policyholders from premium payment till settlement of claims.
**Premium payment**

Premiums, other than single premium, may be paid by the policyholder to LIC in yearly, half-yearly, quarterly or monthly installments. A grace period of one month but not less than thirty days is allowed for payment of yearly, half-yearly and quarterly premiums and fifteen days for payment of monthly premiums. However, days of grace varies under certain plans.

**Premium Payment Options (Other than Branch Offices)**

Besides premium payment at the cash counter in LIC Branch offices, premium can be paid through alternate channels for in-force policies except under salary saving scheme (SSS) where premium collection is through employers.

**i) Offline Payment channels**

- Electronic clearance system (ECS)
- Direct debit for corporation bank and ICICI bank customers
- Electronic Bill Presentation and Payment (EBPP)
- ATM (Corporation bank, Axis bank and ICICI bank)

**ii) Online Payment channels**

- **Portal Payment Gateway**
  
  Online premium payment on LIC Website, www.licindia.in can be made for all policies. Premium can be paid through LIC portal (website) using net banking facility and also through VISA/MASTER Credit and Debit cards.

- **Premium collection through Banks**
  
  Axis Bank and Corporation Bank are authorized for premium collection for all policies except ULIP. Premium can be collected in cash or cheque drawn on the respective banks.

- **Premium collection through Franchisees**
  
  - Premium can be collected only in cash.
  - Receipts are issued by the collection centre
  - No service charges are required to be paid to the collection centre to avail this facility
Following are the approved Franchisees

- AP Online: Website: www.aponline.gov.in
- MP Online: Website: www.mponline.gov.in
- Suvidhaa Infoserve Pvt. Ltd.: Toll free helpline number: 9223225225.
- CSC e-Governance Services India Ltd, having network of CSC
  (Common Service Centre) pan India.
- Premium collection through Empowered Agents & authorized retired
  LIC employees-Premium Point
- Senior Business Associate (SBA)

Under online payment channels, premium receipt is issued instantly by the service provider.

OTHER IMPORTANT SERVICES

Loan

LIC offers loan facility for most of the plans, this is an additional facility offered to policyholder for meeting his/her financial needs. The process of loan is simple and hassle free. Loan interest under the policy can be paid in any branch across the country. The terms and conditions printed on the policy bond reveal whether a particular policy is eligible for a loan.

Nomination/Assignment of Policy

A valid nomination is helpful in timely settlement of claim. After any re-assignment, nomination should be made afresh, because assignment automatically cancels a nomination.

Change of Address

Change of Address, if any, must be immediately intimated to LIC. Phone number and E-mail ID should also be conveyed.

Care of Document and Loss of Policy

The policy document is an evidence of the contract between the insurer and the insured. Loss of the policy document should be immediately intimated to the servicing branch office.
**Death Claim Intimation**

In the event of the death of the life assured, the claimant (the nominee or assignee) should intimate the fact of such death, to the branch office where the policy is serviced. The serviced policy bond and the death certificate shall be submitted to the branch for getting the claim settled.

**Revival of Lapsed Policy**

When the premium is not paid within the days of grace, the policy will lapse. It can, however, be revived within five years from the date of lapse, during the life-time of the assured but before the date of maturity. The corporation offers three convenient schemes of revival, viz., Ordinary Revival Scheme, Special Revival Scheme and Installment Revival Scheme for the convenience of the policyholders.

**Grievance redressal machinery/committees**

Policyholders' Grievance Redressal Officers have been designated in all the offices of the Corporation who can be approached by policyholders for redressal of their grievances, on any day but particularly on every Monday between 2.30 p.m. and 4.30 p.m. without prior appointment for ensuring quick redressal of customers’ grievances. Corporation has introduced a user friendly Integrated Complaints Management System (ICMS) through the Customer Portal (Website) which is http://www.licindia.in where a policyholder can directly register complaint/grievance and track its status.

**Claims Review Committee**

The corporation settles a large number of death claims every year. Only in case of fraudulent suppression of material information the claim is repudiated. The number of death claims repudiated is very small. Even in these cases, an opportunity is given to the claimant to make a representation for consideration by the Review Committees at the Zonal Office and the Central Office. As a result of such review, depending on the merits of each case, appropriate decisions are taken. The Claims Review Committees at the Central and Zonal Offices have among other members a retired High Court Judge.
2.5 MARKETING OF LIFE INSURANCE COMPANIES’ PRODUCTS

Indian life insurance market has undergone tremendous structural changes since 1818. Insurance industry has witnessed significant growth with respect to insurance coverage, premium mobilization and contribution to socio-economic development. Life insurance Corporation of India launched a wide range of products and insurance industry remains primarily a supply driven industry. The global economy underwent a radical change in 1990’s and a new economic order was established in India. With the new economic order supply driven structure was replaced by the demand driven market structure through liberalization which resulted in the entry of private sector players. The life insurance market in India is an under developed one that was tapped by the government owned LIC of India until the entry of private players in the market. Insurance products reached only 19% of the 400 million of the insurable population. Innovative products, smart marketing strategies and aggressive distribution networks have enabled the private insurance providers to attract Indian customers faster than any one ever expected. Indians who always looked at life insurance as a tax saving device have now become more aware of the need for having insurance for life. People are now suddenly turning to the private sector, buying new innovative products. The growing popularity of private insurers is overwhelming but the government owned insurance company still dominates. Private insurers are persuading people to take bigger policies. For instance, the average size of a life insurance policy before privatization was around Rs.50,000. But private life insurance companies offer policies around Rs.1.1 lakhs to Rs.1.2 lakhs, bigger than the industry average. The three basic requirements for marketing life insurance products are Need, Awareness and Affordability. The appeal of marketing force is to:

- Cover Every Family under life insurance
- Cover the Entire Family under life insurance cover
- Cover the Entire Family Adequately under life insurance cover
The product should be sold with full disclosure and explanations. “Informed Sale” will enhance the prestige of marketing force and the salesman. The sale will be remembered and appreciated by the customers for ever.

2.6 MARKETING MIX FOR LIFE INSURANCE COMPANIES

The marketing mix is the combination of marketing activities that an organization engages in so as to meet the needs of the targeted market. The insurance business deals in selling services, therefore due weightage in the formulation of marketing mix for the insurance business is needed. The marketing mix includes sub mixes of the seven P’s of marketing (i.e.) the product, price, place, promotion, people, process and physical distribution. The seven P’s of marketing mix can be used for marketing of life insurance products in the following manner.

**Product**

Life insurance companies sell services and therefore, services are their product. Product is stretched to satisfy various needs of customers such as family need, saving need, old age need, investment need, readjustment need, special need and clean up needs. Product management involves product related strategies which include positioning, branding, product line policy and product support service. Positioning means developing the image that a product project in relation to competitive products. Positioning differentiates the products from each other with respect to performance, comfort and safety. Positioning is exercised by product quality, standardisation, product service and product size. Branding of product is used to augment market share. It is to identify a particular product or organization in comparison with the competitive product or organization.

Branding strategies are increasing recently to enhance market share of the product. The strategy searches for the best name for each new product. There are five choices of brand strategy (i.e.) line extension, brand extension, multi brands, new brands and co brands. Line extensions introduce additional
items in the same product under the same brand name. It is to suit different requirements of the customers but a balanced number of line have positive side. Jeevan Saral of LIC has been the brand line extension to cover higher amount, partial withdrawal facility, flexible term, accident benefit options, return of premium and loyalty addition on death. Brand extension means existing brand name is used to launch new products in the market. LIC of India has used ‘Jeevan’ for the new products such as ‘Jeevan Anand’ ‘Jeevan Sneha’ ‘Jeevan Akshay’, ‘Jeevan Nidhi’ etc. Additional brands are exercised in the same product category. The company can catch a large number of customers by multi brands but each brand may obtain only a small market share. The purpose of multi brands is to reach the same target market or distinct target markets. New brands may be added when none of its current brand is appropriate. Co-branding is also useful when dual branding (i.e.) two or more well known brands are combined together.

Product line policy offers greater product variety for meeting consumer sophistication with increasing market segmentation. Product line is the best alternative for meeting the product life cycle conditions. It is advisable to drop some products for enhancing new profitable products. Product support service includes post sale services provided to the customers. The Agents and Development Officers have to educate the customers on the advantages and new uses of new product. The services to the policyholders may be loan, surrender value, nomination, transfer and so on. When a person buys an insurance policy from the insurance company he not only buys a policy but along with it the assistance and advice of the agent, the prestige of the insurance company and the facilities of claims and compensation.

**Price**

In the insurance business the pricing decisions are concerned with the premium charged against the policies, interest charged for default in the payment of premium, commission charged for underwriting and consultancy services. The formulation of pricing strategies becomes significant with the
viewpoint of influencing the target market or prospects. Pricing decisions occupy a place of outstanding importance in the marketing of the insurance services. The insurance companies prefer to make a mix of high and low pricing strategy. The pricing strategy is rationalized to cater to the low paying capacity of the society and high pricing strategy for the affluent section of the society. Fixation of prices is usually on the basis of cost of production and even in insurance business cost of insurance is a decisive factor for charging premium. The important bases for determining the cost are rate of death, rate of interest and expenses incurred on the insurance business.

When deciding upon the pricing strategy the average rate of mortality is one of the main considerations. The cost of processing and commission to agents are incorporated into the cost of premium and forms the integral part of the pricing strategy. The rate of interest is one of the major factors which determine people’s willingness to invest in insurance. People would not be willing to put their funds to invest in insurance business if the interest rates provided by the banks or other financial instruments are much greater than the perceived returns from the insurance premium.

There are a number of factors influencing the rate of premium such as the growing health care facilities, rising standard of living of the masses, increasing discretionary income, increasing rate of literacy, attitudinal change in investors etc. An important dimension aggravating the cost of insurance is social costs. The public sector undertaking, the LIC of India is expected to bear the social costs by sub serving the interests of backward regions and the weaker sections. The premium charged is to be made rational to cater to the payment of claims on priority basis including the catastrophic losses, management expenses and margin of profit.

Place

This component of the marketing mix is related to two important aspects (i.e.) managing the insurance personnel and locating a branch. The management of agent and insurance personnel is found significant with
the view point of maintaining the norms for offering the services. The transformation of potential policyholders to the actual policyholders is a difficult task which depends upon the professional excellence of the personnel. The agents and the rural career agents are acting as a link between the policyholders and the life insurance company. The agents are the lever spring or kingpin of the insurance business and they are required to be given adequate incentives to show their excellence. While recruiting agents the branch managers need to prefer local persons and by conducting refresher courses to brush up their faculties so that they know the art of influencing the prospects.

While locating branches the branch managers need to consider a number of factors such as smooth accessibility, availability of infrastructural facilities and the management of branch offices. In addition, factors like office furnishing, civic amenities and facilities, parking facilities, interior office decoration and safety measures should be given proper attention. It is essential to make the work place conducive, attractive and proactive for the generation of efficiency among employees. The branch managers need professional excellence to make place decisions productive.

**Promotion**

The insurance services depend on effective promotional measures. The four components of promotional management are personal selling, advertising, sales promotion, public relations and publicity. Personal selling is the direct presentation of a product to a prospective customer by a representative of the organisation. The representatives (i.e.) agents, rural career agents are to be trained and they must be experts in influencing the potential buyers to purchase the product. Advertising, a non personal mass communication aims at target market to attract the attention of the public through variety of media by artful use of print, sound and motion. Sales promotion supplements, advertising and facilitates personal selling. Sales promotion has some distinctive benefits such as effective communication, inducement and incentive, distinctive invitation, drawing stronger and quicker buyer response and so on. Public relations and
publicity is a wide variety of communication efforts and it carries newsletter, pamphlets, etc. All these four components of promotion use communication and success depends on the methods, media and communication.

In a country like India, the rate of illiteracy is very high and the rural economy has dominance in the national economy. In promoting insurance business, the agents and the rural career agents play an important role. Due attention should be given in selecting the promotional tool for agents, rural career agents and even for the branch managers. They also have to be given proper training in order to create impulse buying. Arranging exhibitions, wall paintings, participation in fairs and festivals would be effective in creating the impulse buying and the prospects would be easily transformed into actual policyholders.

**People**

Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency both at the staff and agent level is one of the important areas to look into. Understanding the customer better, allows designing an appropriate product. The senior executives while recruiting, training and developing the insurance personnel should make it sure that employees who would serve or serving the organization have a high behavioural profile in which empathy has been given due place. The psychological attributes become significant with the view point of influencing the prospects or retaining the users. Because of this, the insurance organizations have been found making use of sophisticated information technologies to improve the quality of their services. The use of computers, micro computers, fax machines, sophisticated telephonic services, e-mailing, internet and intranet services have been found throwing a big impact on the perception of quality of services.
Process

The process should be customer friendly in an insurance industry. The processing method should be easy and convenient to the customers. The speed and accuracy of payment is of great importance and installment schemes should be streamlined to cater to the ever growing demands of the customers. IT helps in servicing large number of customers efficiently and brings down costs and improves customer service levels. The insurance organisations have to make use of sophisticated information technologies to improve the quality of their services.

Physical Distribution

Distribution is a key determinant of success for all insurance companies. A multi channel strategy is better suited for the Indian market and it is a combination of multiple markets. Each of the markets requires a different approach. Apart from geographical spread the socio –cultural and economic segment action of the market is very wide, exhibiting different traits and needs. The different multi distribution channels in India are as follows:

(i) Agents

Agents are the primary channel of distribution of insurance. Agents are the major force pushing insurance sales in India and the only intermediary before deregulation of insurance sector in the year 2000. Now also agents are considered as the lever spring or king pin of the insurance business. The public and private sector insurance companies have their branches in almost all parts of the country and have attracted local people to become their agents. Agents are recruited by life insurance companies primarily on the basis of location and they are mostly tied to the nearest branch office. Today’s insurance agent has to know which product will appeal to the customer and to the average customer. So an insurance agent can play an important role to create a good image of company. Agents are not on the payrolls of the insurance company. The life insurance agents get a fixed commission on each policy they manage to sell.
(ii) Banks

India has also witnessed another new channel of distribution bancassurance. A bank can act as an agent of one life insurance and one non-life insurance company. Banks in India are all pervasive especially the public sector banks. The public sector banks, with their vast branch networks, are helpful to insurance companies. Insurance companies which are bank owned are selling their products through their parent bank.

(iii) Insurance brokers

Insurance brokers and independent financial advisors are also a critical link between an insurance company and customers. They provide valuable services to the client by analyzing their needs and assessing their risks. They act in the interest of the customers and they are neither employees nor are they tied to any insurance company, but they get some underwriting charges from the insurance companies to sell their products.

(iv) Corporate agents

Corporate agency is a cross selling type of channel. Insurance companies’ tie-up with business houses in other industries to sell insurance either to their employees or to their customers. Corporate agents have become a major force to reckon within distributing insurance products. Insurance industry in the recent years has witnessed a number of such strategic tie-up and alliances.

(v) Direct marketing

Direct marketing, a distribution channel is also catching up fast due to the spread of distribution network. In this technological world, direct marketing in insurance is the use of telephone, television, print, internet and social media advertising to attract customers. Insurance companies frequently use mailings as a part of direct marketing campaign. Prospective customers receive post cards or letters to encourage them to contact the company. Like any other service industry e-commerce is also emerging very fast in insurance.
sector. Websites of insurance companies, payments through electronic clearing service and credit card promote e-business in insurance sector.

2.7 PROFILE OF LIFE INSURANCE PRODUCTS

Product distribution is a critical function in management of life insurance business. It is more critical because the product is intangible, investment is for long term and there are realizable and unrealized benefits. Life insurance products have to suit the requirements of customers. The life insurance products fundamentally provide risk cover, investment and health cover. LIC of India offers a bouquet of products to meet the various needs of an individual and his family. Its strong brand backed by long experience and well established network has helped it to remain on the peak. It offers individual solutions considering their specific financial requirement and risk profiles. They have a whole list of traditional plans, ULIPs, policies for children’s future needs and various policies which an individual requires for financial planning like pension plans. They also offer special products designed for physically disabled people, for women and for rural people. The private life insurance companies also offer wide variety of life insurance products. The major life insurance plans are:

- Endowment Plans
- Money back plans
- Unit linked plans
- Children’s Plans
- Pension plans

Endowment plans

Endowment plans offer some return on the premiums paid, if one die during the policy term, the nominee gets the sum assured plus bonus. If one survives after the policy term, he or she will get back the sum assured with bonus. The premium will depend on the age, the sum assured, the plan tenure and the nature of returns. There are two types of endowment plans, with the differences arising from whether they offer the policyholder a share in the
insurer’s profits or not. The first is the ‘without-profit plans’. These endowment plans do not offer a share in the insurer’s profits. Therefore, compared to with-profit plans, they are available for a lower premium. They are structured in such a way that if one outlives the policy term, he or she can get back the sum assured and a return on investment termed as loyalty additions. This is basically a one-time payout, expressed as a percentage of the sum assured, made for staying in the plan through its term. The other is the ‘with-profit plans’ which offer relatively higher returns than without profit plans.

**Money back plans**

Money back plans are variants of endowment plans, with one basic difference. Unlike endowment plans, where the survival benefits are disbursed at the end of a policy term, the payback in money back plans are staggered through the policy term. Typically, a part of the sum assured is returned to the policyholder at periodic intervals through the policy tenure. For example, if the sum assured is Rs.10 lakhs, then Rs.2 lakhs is paid back in four installments of 20 per cent each at five-year intervals (in years 5, 10, 15 and 20). The balance sum assured, along with guaranteed additions or bonus is returned at the end of the tenure. However, this early return, compared to conventional endowment plans, does not reduce the sum assured of money back plans. In case of death claim, the full sum assured will be paid, without deducting any survival benefits that may have already been paid as money back components. For example, if the policyholder dies in the such year of the term, his nominees will get the full sum assured (10 lakhs) with no deduction for the Rs.2 lakhs money back installment paid to the policyholder in the fifth year, plus bonuses accrued till the fifth year. Similarly, the bonus is calculated through the term on the full sum assured Rs.10 lakhs not on the balance.

**Unit-linked insurance plans**

A unit-linked insurance plan (Ulip) is a bundled product that combines a life cover with an investment plan. The objective of investment plan is to give
returns which easily beat the rising cost since the usual returns in banks are extremely low. However, the investment is not in the form of a guaranteed money back or endowment lump sum and instead, works like a mutual fund. The premiums go towards mortality charges and the rest, after costs, get invested in different plans according to the amount of risk the policyholders are willing to take. The premiums paid by policyholders not only provide with life insurance cover, but a part of it will also be invested in specific investment funds. Each premium paid by the insured person is split. A part is used to provide life insurance cover, while the balance is used to buy units in a unit of mutual fund after deduction of costs, expenses, etc. In this way, a small investor can benefit from investment in a managed fund without making a large financial commitment. The unit-linked policies can go up or down in value as they are linked to the value of the shares. A policyholder can allocate insurance premium towards protection and investment.

The main features include life protection, investment and savings, flexibility, adjustable life cover, fund options, transparency in charges, options to take additional cover against death due to accident or disability or critical illness, liquidity through partial withdrawals and so on. In case of death, the beneficiary receives either the sum assured, or the value of the fund, whichever is higher. If a policyholder survives or redeems the policy he will get the net asset value multiplied by the number of units held by him.

**Children’s plans**

There are certain special needs of the family which are fulfilled by the earning member of the family. If the member becomes disabled to earn the income due to old age or death, the special need for education, marriage and settlement of children are unfulfilled. The life insurance companies by its special insurance products meet such requirements. Children’s plan is designed to meet the expenses relating to children’s education and marriage. Policies under this plan are issued on lives of both male and female children who have not completed 18 years. This is an endowment assurance policy and
it provides the protection or risk from the date of commencement of policy or from the deferred date to the date on which the policy emerges as claimed by the death of child or its survival to a stipulated date. The main object of this policy is to cover the risk against the life of children on behalf of their parents and guardian.

**Pension plans**

The very purpose of a pension plan is to create financial assets which can be utilized after retirement from an active working life and to maintain a reasonable standard of living. An annuity policy is a contract in which the policyholders pay single premium or a series of premium to a life insurance company, which enables the policyholders to receive a series of periodic payments in future. Policyholders can also opt for death benefit or cash benefit. An annuity is basically a retirement investment instrument in which earnings grow according to the interest earned or according to growth in value of assets of underlying investment.

Two basic types of annuities are fixed annuity and variable annuity. A fixed annuity provides guaranteed interest rate for a fixed period of time. Under fixed annuity an insurer has to pay guaranteed payment even if his/her earnings are less than promised, here the insurers bear the loss. This is very useful for conservative investors. Pay out under annuity begins with retirement. The policyholder gets regular income payments from the insurance company. Income payment may be received for the rest of the life of the insured or for his wife or family. Variable Annuity, on the other hand gives freedom to the policyholder to choose an investment option out of many, depending on his/her need the policyholder can diversify his/her portfolio. Apart from freedom to select an investment, it also provides an opportunity to the customers to balance his/her risk tolerance limit. For example, policyholders with high risk appetite may go for equity, while low risk tolerant policyholders may opt for low risk portfolio, say debt. The rate of return from annuity purchase depends on the performance of money invested in a particular
portfolio. Annuities can further be classified on the basis of the schedule of payment of annuities, as immediate annuity and deferred annuity. Immediate annuity payment starts immediately after one month from the date of purchase and continues for a specified period, while payment under deferred annuity begins after the deferment period as per the contract.

The various schemes in each plan during the year 2013 have been given in the Appendix.

CONCLUSION

While the primary role of a life insurance company is to provide insurance coverage for managing personal financial risks, it plays a very crucial role in promoting savings by selling a wide range of products and also actively contributes in promoting and sustaining the capital market of a company. The life insurance companies are dealing with intangible products and a large number of insurers sell relatively homogeneous products. The life insurance companies have been designing and redesigning their products to meet the needs of the customer. Life insurance markets are highly competitive both as to price and service. The changes in the market are brought by the customers and investment habits of customers are changing very frequently. The individuals have their own perception towards various types of life insurance plans. A life insurance policy satisfies the financial needs of the policyholder. The purchase of life insurance policy is a critical part of life time financial plan. It caters to different financial needs that arise during the life time of a person.