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Chapter: III
Rudiments of LIC Marketing Against the Background of Privatization and Globalization

Introduction

Life insurance in its present form came to India from the United Kingdom (UK) with the establishment of a British firm. In 1818 the Oriental Life Insurance Company came into existence in Calcutta followed by Bombay. Life Insurance Company was set up in 1823. In 1829 the Madras Equitable Life Insurance Society and Oriental Government Security were established. Life Insurance Company came into force during the year 1956. Prior to 1871 Indian lives were treated as sub-standard and charged an extra Premium of 15% to 20%. Bombay Mutual Life Assurance Society, an Indian insurer which came into existence in 1871, was the first to cover Indian lives at normal rates. The Indian Life Assurance Companies Act 1912 was the first statutory measure to regulate life insurance business. Later in 1928, the Indian Insurance Companies Act was enacted, inter alia to enable the Government to collect statistical information about both life and non-life insurance business transacted in India by Indian and foreign insurers including Provident Fund Societies.

The Insurance Act of 1938 was a well thought out legislation passed to perform and control the activities of the companies carrying on various businesses relating to life, marine, fire and accident. It contained various provisions of the 1938 Act relating to deposits, investments, premium, role and power of insurance companies that did not apply to life insurance business. Efforts in this direction continued progressively and the Act was amended in 1950. It was in Jan. 1956 that the management of 245 Indian and foreign insurance companies and provident societies operating
in the life insurance business were taken over by the Union Government and nationalized on September 1, 1956. The Life Insurance Corporation was formed with a capital contribution of Rs. 5 crores. The Life Insurance Corporation business has increased from 5 million policies at the time of nationalization to over 56 million policies at present (2004).

**Vital Features of LIC Markets:**

1) The LIC policy Buyers (demand) and LIC spokesmen i.e. sellers (supply) are the two sides of the market.
2) The LIC product has the national as well as and international market
3) The meeting of minds of buyers with the LIC is more important than face - to - face meetings in order to create a market. Wherein, LIC has one single price for a given product designed by the LIC considering the free play of demand and supply.
4) In the free LIC product market system, prices are designed for the different LIC products through the interaction of the forces of demand and supply.
5) Factors, which affect the exchange process are:
   a) Demand and supply
   b) Price of the policy and services associated to it.
   c) Market information with the LIC and policy/product buyers
   d) Legal control and regulations to ensure fair prices/services
6) Feedback information points out LIC product buyer’s post-purchase experience. If buyer's expectations are fulfilled, LIC will get repeat orders. If dissatisfied buyers will switch over to other substitute brands.

**Distinguish between: LIC product Marketing and selling the policies by Agents**

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<tr>
<th>Selling by Agent</th>
<th>Marketing as a total approach of LIC</th>
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<td>1) When a LIC designs a policy and then Agent tries to persuade customers to buy it, that’s selling (Emphasis on product)</td>
<td>1) When a LIC finds out what the customer want and develops a product/policy that satisfies that need and also yield profit is marketing. (Emphasis on customers wants)</td>
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<td>Agent Views business as a 'Policy' percolating processes to get the client</td>
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<td>3)</td>
<td>Agent (Seller’s) convenience dominates promotion of Marketing Mix. (Marketing plans.)</td>
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<td>4)</td>
<td>Planning by an Agent is short run oriented, in terms of sale of given policy</td>
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<td>5)</td>
<td>Selling is: • Identifying target customers • Discovering needs • Matching offering with needs the policies which are available.</td>
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It is a common belief that one of the most difficult products to sell is, "life insurance" and one who sells life insurance can sell anything under the sun. There is no gainsaying the fact that selling life insurance is a difficult proposition primarily because what is sought to be marketed is an assurance, a belief and a faith.

**Objectives of LIC Policies’ Marketing: - These** are as follows:

1) To plan and develop the Policies on the basis of known customer demand.
2) To increase the profits and goodwill of the LIC.
3) To organize, direct and control all the marketing activities.
4) To inform the customers and the society about the markets.
5) To enable successful distribution of Policies and services.
6) To supply the necessary information for marketing decisions.
3.5

Classification of Markets for the LIC product

(i) On Geographic or Area Basis:-

(a) **Family Market:** A LIC representative has a market for the policies in his family including himself or herself and also amongst the relatives and friends of the family if his or her.

(b) **Local Market:** These markets exist in ‘town economy’. They are gradually thriving due to policy innovations and development in transport and communications and insensitive offer to LIC representative for selling the policies. They are now abundant and locally known to people.

(c) **National Market:** The rise and growth of LIC policies innovations has widened markets of national level. Most of the LIC policies today have acquired the national markets.

(d) **World Market:** These markets for LIC came into existence with the growth of international Indian relations, transport and communication. Indian relations include social, cultural and poetical

(ii) On the Basis of ‘Regulation’:

(a) **Regulated Markets:** LIC Products other than life insurance product markets are regulated by statutory measures

Challenges faced by the insurance industry

The Malhotra committee has also pinpointed the challenges faced by the insurance industry. They are as follows:

1. Marketing and services network is inadequately responsive to customer needs.
2. Low insurance awareness
3. Customer needs are not satisfactorily fulfilled
4. Innovative insurance policies
5. Cost of Insurance is high whereas returns are low which makes insurance policies unattractive.
6. Weak marketing organization and heavy turnover of Agents.
7. Development officers concentrate on their earnings and neglect training of Agents and building up of efficient agency organization.
8. Excessive lapses of policies.
9. Vast untapped potential (only 22% of the insurable population is covered)
10. The LIC management is top heavy. Supervision and control functions are considerably weak.
11. Unsatisfactory work culture is prevailing.
12. Inadequate computerization of transactions.

The LIC has taken some major steps to combat the challenges of private insurance companies. The LIC is one of the public sectors in India which has pioneered in adopting new technology. In 1995, the LIC started a drive for front end computerization in branches and by now, almost all the branches have been equipped with computers to facilitate quicker service. World Wide Web page (www.licindia.com) has been put up on the internet where people having access to this service can acquire information about the LIC and its products anytime. Implementation of interactive voice mail response is expected to provide the required impetus to the efforts towards providing better and speedier customer service.

Life Insurance Marketing.

In the earlier pages it has been stated that Indian market is dynamic, volatile and vibrant. Since 1991 Indian market is changing at an unprecedented pace due to the changes in social, cultural, economic, political, legal and physical environment. Despite the huge potential in the Indian life insurance market, the people’s savings through life insurance have not been fully mobilized.

Since the LIC being essentially a service oriented organisation, it is necessary at this stage to outline the nature of services marketing.

In any market\(^9\), there are two kinds of offers, viz. a product or a service. A product is a tangible and standardized object (e.g. refrigerators) whereas service is an intangible and variable activity (e.g. communication
Insurance is a service. In most countries, corporations that offer services as their products have far outstripped those who offer traditional, manufactured goods as products in terms of growth rate, employment and a share in the Gross National Product. Indian economy’s one of the most striking features is the growth of the services sector. A number of factors have contributed to this phenomenal growth, increased level of income, the growth complexity of environment, deterioration in human, wealth, growth of nuclear family, danger of hazards even in day-to-day life has spurred growth of the service sector. In India, during the 1980s the total employment generated in the service sector was 70 percent as against 7 percent generated by the manufacturing sector.

Gronross has defined services as “an activity or a series of activities of more or less tangible nature that normally not necessarily take place in interactions between the customer and service employers and/or physical resources or goods and/or services of the service provider, which are provided as solution to customer problems.

The service organizations are quite varied and different from each other. The four categories are:

1. Public Sector, e.g. police
2. Private Non-profit Sector – e.g. old age homes
3. Business Sector – e.g. Banking, insurance.
4. Manufacturing Sector – e.g. providing services to those involved in manufacturing.

The nature of services offered has also changed considerably. While traditional services such as those provided in hotels, banks, etc. continue to account for a high proportion of employment generated, it is the knowledge based services such as financial services, management
consultancy and training institutes etc. are rapidly increasing services. The main characteristics of services are as follows:

1. Intangibility: Since service is intangible, one cannot see, feel, hear, taste or smell, touch it or take apart to examine the working of a service. As the “trial” element is lacking the opinions and experiences of others are important for decision making. The Agent’s role is vital in this regard. They sell an idea and not a product. So the marketing success depends upon the ability of the Agent to make the service benefits visible through his skilful selling.

2. Heterogeneity: Services unlike products are not produced on machines. Therefore they are not standardized. They vary from one service provider to another. This in fact is a plus point as far as marketing is concerned, as service can be designed around a specific requirement of the individual customer. A life insurance policy should be sold according to the requirement of the prospect. It is necessary to train Agents so that the variability in the quality of service offered is reduced and uniformity is maintained to achieve customer satisfaction.

3. Inseparability: The Agent can only sell life insurance to consumer, the service cannot be sold by any one else belonging to the LIC. Thus the very important point to be noted is that whole of the LIC’s business is dependent upon the Agents alone. Therefore it is vital to manage Agents in an effective manner.

4. Customer Relationship: The buyer is more prominent in the marketing of services than products. The relationship between Agent and his customers is highly personal and direct in nature. The Agent therefore should be competent enough to develop and maintain the relationship.

Vision 2010:

4:
International economy has witnessed many changes in economic thoughts over the centuries and economics of various countries have undergone several cycles of change. In the emerging environment, it is not the protection but the freedom and liberalization which would dictate the course of economic actions and the market determined pricing would occupy vital place in the system. Further, the entire thought process, management style and operational mechanism would be guided by the advanced technology of cyberspace dynamics.

The coming years will see a lessening of gap between various arms of the financial sector, such as banking and insurance. A time will come when all these services will have to be made available from a single window. Use of plastic money in the form of credit cards is growing fast in India. This will enable quicker purchase of life cover. Networking of all offices will be a must, with the help of computerization, to ensure that service is available to any policy holder at any corner of the country.

Production will be tailored to suit the needs of the prospective policy holder. There would be fewer fixed type of plans instead working to the requirements of each client, wherein a plan is made to order.

With the changing trends, the consumer will seeks sound and reliable advice about his or her financial affairs from knowledgeable sources. The days of the overly aggressive and manipulative salesman are over. The Indian consumer would be more vigilant to guard against fraudulent practices. In view of changing circumstances, there will be a need for setting up a proper regulatory authority before the insurance sector is thrown open to competition. Instituting professionalism in the agency force will be a major challenge to be faced by the Indian insurance industry. There will be a need for more qualified and professional manpower both in the office as well as for fieldwork.
Bureaucratic attitude promoted over years in a controlled environment would become obsolete for business organizations by the year 2010. State control and bureaucracy will be replaced by self control, innovation and creativity.

In future—many necessary regulatory norms will be imposed on life insurance companies as deregulation could invite the risks of market failures, fraudulent practices and exploitation of consumers. In India, the activities of consumer forum will increase. Policy holders would be expected to be more aggressive and demanding. To tackle aggressive policy holders and strict regulators, insurance companies will have to create a well designed self regulatory organization.

The speed of technology change in the west is much faster than in India. The latest is the innovation of ‘wire policies’ launched by INSWEB, a new insurance venture into cyberspace. A place where consumer groups can rank the best prices and products in the market. Indian life insurance industry needs to wake up to face such technological onslaught by the year 2010.

Recently, Insurance Regulatory Authority (IRA) Bill was introduced in the Indian Parliament. If the present trend in international economy and ongoing process of reforms in India are any indications, the insurance market will be totally different in the new millennium. A strategy will have to be devised to operate in a liberalize financial environment with a view to integrate ultimately with global financial system.

Today, the LIC operates with a four tiered office structure, the central office, the zonal offices, the divisional offices and the branch offices. With the anticipated phenomenal growth in business is expected the horizontal growth in the number of offices. The need to pay attention
to various regions at micro level may mean each larger state having a zonal office which may grow to 12-15 in number. The divisional offices and the branch offices again will multiply.

Proliferation of micro-electronic technology and growth in related infrastructure should enable the LIC to open a large number of satellite offices around a composite branch office or one man sales-cum –servicing centers, geographically distributed in a branch area.

Looking into the need to have well trained men at various levels on a large scale, the future management of the LIC may sponsor specialization in life insurance courses in colleges and management institutes.

To sum up, while formulating the strategic challenges to be faced by the Indian life Insurance industry by the year 2010 it needs to recognize the following points in mind:

1. Emerging integration of Indian capital market with global system
2. Emergence of competing products in the savings market
3. Advent of more advanced technology – cyberspace servicing.
4. Emergence of dynamic managerial culture, removing many a hierarchical bureaucracy.
5. An extra conscious and knowledgeable and more demanding consumer class to satisfy
6. End of the present monopoly and emergence of fierce competition in the market place.
7. Need for efficient Customer service
8. Institutionalizing Professionalism in agency force.
9. Shifting focus to quality of products and service without sacrificing quantity.
10. Need for tailor-made products to suit the needs of the prospective policy holder.
11. Threat of mergers and acquisitions.
Importance of LIC Policy Marketing

During the early late 1800’s, the industrial revolution marked the beginning of the modern system of marketing. Until that time, the exchanges were limited because or people did not have surplus items to trade.

During the initial stages of industrial revolution, output was limited, and marketing was devoted only into the physical distribution of products. At that time, the goal was to increase the production to keep up with the demand. It was the production era. According to Philip Kotler, production concept is the era holds that, "consumers will favour those products that are widely available and low in cost. So, the managers of production-oriented organizations were interested in achieving high production efficiency and wide distribution coverage.

Once the company was able to maximize its production capabilities, it hired the sell force to sell the inventory. The role of advertising and sales force was to make the desires of customers fit to the attributes of products being manufactured. This was known as 'Sales-era' of marketing. The concept, according to Philip Kotler holds that the consumers, if left alone will ordinarily not buy enough of the organizations products. The organization must therefore undertake an aggressive selling and promotion effort.

As competition grew, supply began to exceed demand. Awareness for the customers was created. It necessitates customer research, and advised the management, as how to design price, promote and distribute the products. Unless the firm adapted to customer's needs, competitor won't be able to satisfy the consumer demand level. It is called as 'Marketing concept'. In recent years, however, people have questioned, whether the 'marketing concept' is an appropriate philosophy in the age of
environmental deterioration, resource shortages, explosive population growth etc. This situation called for new concept, which is called as 'Societal Marketing Concept'. According to Philip Kotler, the concept holds that the organization task is to determine the needs, wants and interest of target markets and to deliver the desired satisfaction more effectively and efficiently than other competitors in such a way, so as to preserve the customers and society's well being.6

The following given points proves the importance of marketing:

1) **Increase in National Income**: The national income is composed of goods and services which money can buy. An increase in the efficiency of marketing really results in a lower cost of distribution. Lower prices of products to consumers means a real increase in the national income.

2) **Low Prices**: Any reduction in the cost of marketing proves very beneficial to the society. 'Low prices' for products are often regarded as a 'boon' for consumers.

3) **Better Standard of living**: Marketing process brings new variety of useful and quality goods to the consumers. This raises the standard of living of the people.

4) **Employment Orientation**: Marketing provides wide employment opportunities. It is estimated that, in countries like USA. Out of the total number of persons employed, between ¼ to 1/3 of them are engaged in the field of marketing. In developing, labour surplus country like India, this is always a welcome feature.

‘Marketing Concept’:

The growing ‘customer orientation’ gradually resulted in the development of the marketing concept which provides an orientation for conducting the business, a way of thinking and a basic approach to the
business problems. A LIC operating under the marketing concept takes its main direction from the market place, i.e., from the knowledge and understanding of its customer's needs, wants and desires. This becomes the main base for organizing the operations. Thus, the marketing concept has three main features:

(a) A market or customer orientation,
(b) A subordination of departmental aspirations ...to LIC's broad goals, and
(c) A unification of LIC operations.

In short, we can say that, marketing concept is a customer oriented philosophy that is implemented and integrated throughout the LIC to serve the customers in a better way than the competitors and achieve specified goals. Features of Marketing Concept:

1. **Consumer Orientation:**
   - The LIC views the business from the point of view of consumer.
   - It accepts the consumer 'as he is'.
   - Offer Life Insurance policies which consumers would want to buy of their own accord.
   - 'Consumer sovereignty' becomes the faith with the LIC.

2. **Integrated Management action with consumer as Focus:**
   - Marketing is not left to the marketing department alone but all the departments of LIC think and act marketing.
   - Different Departments or functions of LIC are no longer pre-occupied with their exclusive activities, ignoring their impact on the market or consumer.
   - All Departments/functions of LIC are tightly integrated, keeping marketing as pivot and with the common aim that
their activities should result in a favorable impact on the consumer.

3. **Consumer satisfaction:**
   - Consumer orientation alone is not enough; consumer satisfaction is the real aim of LIC. The concept in fact, goes beyond just 'consumer satisfaction'. It votes for 'Consumer Delight'.

4. **Realization of all Organizational Goals through Consumer Satisfaction:**
   - With the Marketing concept, consumer satisfaction is the pathway to organizational goals of LIC.
   - With the Marketing concept, all the LIC goals get automatically realized. For, Consumer Satisfaction implies provision of quality product, competitive price, prompt service, efficient management, cost competitiveness, good image etc.
   - The sequence is: Consumer Orientation plus integrating management action lead to consumer satisfaction; the latter ensures all organizational goals delineated by the Mission, Vision and Motto Statements including profits.

*Importance' or 'Benefits' of Marketing Concept*

- The LIC becomes customer focused; it moves along with the time, keeping abreast of changes and easily fights obsolescence. E.g. 'Times of India' is still the largest circulated daily in India, because it has changed itself according to times and deliver a product changing to customers needs.
- It helps in increasing profits by reducing selling cost on one hand and increasing demand through publicity on the other.
- It is helpful to business planning and decision making.
In present days LIC policies are planned according to sales forecasts and all the activities such as planning, policy designing, staffing, finance, etc. revolved around the marketing decisions.

Benefits to consumer:-
1) As the business practices of LIC changes in favor of customer, the consumer gets low price, better quality, new product and organized service.
2) The customer can pick and choose and bargain. He can complain and his complaints are to be attended to.

Benefits to Society:-
1) Improve standard of living of people.
2) It provides employment opportunities to a large section of the society. According to an estimate, 40% of labour force in developed countries like US, Germany, France etc. is engaged in different marketing processes such as market research, distribution, advertising etc.
3) It increases National Income: Sound marketing system is associated with creation of demand for goods and services. An increased demand stimulates production activities in the country, which in turn increases the national income which is in the interest of the economy as a whole.

Approaches of LIC to Marketing
These are as classified as below:-
(a) The Functional Approach to Marketing
(b) The Institutional Approach to Marketing
(c) The Insurance Policy Approach to Marketing
(d) The Decision-Making Approach to Marketing
(e) The System Approach to Marketing.
(a) **The Functional Approach to Marketing:**

Initially functional orientation becomes the basis for the description of activities performed by LIC within the marketing mechanism. Settling the Claims, Investing the Surplus and Selling Policies were the major functions. Apart from those primary marketing functions, those deals with standardization and risk bearing are also included. The marketing information and customer relations were added as a facilitating function.

The main limitation of this approach is too much emphasis is laid by LIC on marketing functions instead of knowing how they are applied to the specific business operations.

(b) **The Institutional Approach to Marketing:**

Principles of marketing were formulated around the institutions performing marketing activities. This approach focuses on Branch Managers, Development Officers and Agents and describes activities of such marketing institutions as they engaged in selling of the policies.

(c) **Insurance Policy Approach to Marketing:**

This approach studies marketing on the basis of "Insurance Policy". The marketing situation of each Insurance policy is studied as regards to its availability, marketing organisation and policies, involvement of Agents/Developmental Officers, extent of market, segment etc. This approach is also called as descriptive approach.

In this method, the Insurance Policy serves as a focus around which other aspects of marketing are studied. Its main defect is that it is repetitive and time consuming. Sometimes the classification of products also becomes difficult.

The framework of the analysis of marketing is beneficial as all the work relates to a specific LIC product. But it is time consuming and repetitive.
(d) Management approach or decision making approach:

It combines certain features of the other earlier mentioned three approaches. The basis of this approach is that marketing is purely a management function. The changes in marketing are brought about by two types of factors, uncontrollable and controllable. Uncontrollable are, the external environmental factors such as economic, social and political forces. The changes brought about by these factors in marketing condition are beyond the control of a LIC unless it is forecasted well in advance. Controllable factors are those marketing forces which are well within the control of the LIC. These internal factors are adjustments in Premiums, advertising, personal selling etc. This approach lays emphasis on the application side of marketing problems.

(e) Legal approach:

This approach is very narrow and is a part of a political environment as it concentrates only one aspect, i.e. the effect of transfer of title in a legal way. In India, this aspect has a particular significance. There are many enactments passed under legislation which regulate and controls the entire business activities including LIC business.

(f) Economic approach:

Under this approach, LIC marketing is concerned with creation of value, demand, supply and price. Such an approach is incapable of giving the complete idea of LIC marketing. Hence it requires through market study from various point of views. One has to analyze the market from the consumers’ point of view such as their needs, taste, acceptability, purchasing power etc. Again the LIC has to evaluate the product from the competitors point of view, how their marketing strategies are, their approach to customers, and the methods adopted, price policy, presentation etc. Also the market research or analysis should try to understand the weakness or what the product or the competitors lack in
terms of attracting the customer and try to plan or modify our own strategies to pull the customers by creating greater demand.

**Integrated Marketing**

When all the departments of the LIC worked together for customer interest, it is known as integrated marketing. There is always a conflict of goals between various departments such as, For a LIC sister company i.e. HDFC which is financing for housing, the marketing manager wants a whole variety of housing finances from field staff attached to LIC policy. The Insurance policy designing department wants least variety in products as it minimizes the cost of production. The HRD hires persons without considering their nature and customer inclination.

"Hence all those departments should be consumers oriented." The success of any organization in today's competitive world "can be solely contributed to the extent of integrations of various functions in the organization.

**Significant Functions of Marketing**

These are as follows:

1) **Designing Policies:** Designing is the one part of exchange process, other being the idling. Insurance Policy Designing is the first step in the process of marketing. A LIC has to staff experts designing the policies of various types.

2) **Selling:** Selling the insurance policies is important from the point of view of the LIC as well as customers. The profit making object of a LIC business concern is achieved only through the sale of Insurance Policies. After 1991 during the post economic liberalization era increasing use of computers, mass Insurance policy designing and Mass planning have become possible, which in its turn, requires mass selling of Insurance policies. This function involves product planning and development, creation of demand,
market research, selection of channel of policy distribution, negotiation of terms of sale such as quality, number of benefits, premium of policies, etc.

3) **Increase in number of branches:** When policy designing is routine nature but purchases depend upon the vagaries of people, the branches in adequate number with sufficiently staffed and motivated become necessary. Branches involves holding and preserving of policies till the date of their sales and after sales they have to undertake the post care of the sales till they mature. Branches tend to adjust supply or demand of the insurance policies and also work for the conveniences of the customers. Thus, LIC branches create time and place utilities.

4) **Delivery:** Delivery is the movement of Insurance Policies and their documentations from the authorities of LIC to the ultimate persons purchasing the policies. Marketing system requires an economical and effective delivery system. A good system of credentials delivery of the Insurance policies increases the value of the same by the creation of place utility. The opening of new markets has been possible by the quick deliveries and communication about the matters concerning to Insurance Policies. It has resulted in the extension of markets, regular supply of Insurance Policy credentials, lower premium, and improved services to the customers.

5) **Standardization and Grading:** Standardization has now been accepted as an ethical basis to LIC marketing. A standard is a measure that is generally recognized as a model for comparison. Standards are determined on the basis of merits inherits in given Insurance Policy. It facilitates purchase and sale of Insurance polices which are purchased by brand name.
6) **Branding and Packaging**: Branding is the art and cornerstone of LIC marketing. It is the measurement of giving a particular name, term, sign or symbol to a product/service for specific identification of one Policy or group of Policies. This identification creates customer awareness, which in turn helps to build good product image and enhance chances of repeat purchases. A brand is essentially a LIC promise to provide specific features, benefits and services consistently to the customers.

Packaging is also an effective marketing tool which helps in bringing the success of a company's product in the market. It is an activity of designing the container or the wrapper for the product for its protection and identification. Packaging also facilitates the sale of a product by making the product more attractive and catchee. A good package system necessitates a number of steps like deciding the packaging concept, developing new package designs and package testing, etc.

The packaging concept for the LIC is limited to only delivery of documentation/policies in stationery packet or in Plastic folders. However the LIC may think to introduce the novel method of packaging.

7) **Marketing Research**: Marketing research today is one of the important functions of marketing required by the decision makers. The decision maker has no direct contact with the market and therefore timely and accurate information is heeded. The market needs and desires must be determined. It is important for the development of LIC policies and services attached to them. After these Policies and services are marketed, the marketing research effort must measure the extent to which the market's needs and desires are actually being satisfied.
Marketing research gives full information regarding market, economy, government, culture, and technology.

Marketing research provides sufficient information in respect of the following:

(i) Information to the LIC regarding market trends.
(ii) Information of prevailing Policies Premiums, Services of Insurance policies floated by the antagonist.
(iii) To promote the order in marketing by achieving effective distribution and fair pricing of products.
(iv) To avoid waste in marketing and non-marketing activities.

Reasons for the popularity of Marketing Research:

(v) It enables to find out mass selling Insurance Policies and has enabled the wheels of modern large scale industry to keep moving.
(vi) It enables to identify customers and their needs, likes and dislikes, etc.
(vii) It enables forecasting of future performance and situation.
(viii) It is helpful in product improvement.
(ix) It finds out the ways and means of cheaper distribution of the insurance policies.
(x) It avoids wastes and failures.

8) Advertising: Advertising is a major means whereby the market is informed of the existence and availability of a particular LIC policy and services that can satisfy the needs and desires of the customers. The LIC for Advertising uses various non-personal sources, such as television and magazines, to communicate to the market and to purchase of products and services. Awareness Advertising is done by LIC not just so that the prospective and existing customers will feel comfortable with the products they are using, but rather that this helps differentiate a product through building a brand personality. Amongst the factors influencing the success of a corporate awareness campaign are:-

a) Competitors' activities
b) Underlying changes in the market

LIC product advertising’s aim is, obviously, to persuade the new breed of investor to bring his money into the market. It is a task that is made more difficult by the investor; especially rural is still relatively new to LIC business.

So far in India, LIC product, advertising has not been quite spectacular. The major reason could be that the subject of LIC business is a little specialized and cannot be treated alike other product advertising. It is particularly difficult when the financial products of LIC offered are very similar and difficult to identify separately by the common man, unless they are explained.

The following points are adhered to in Insurance Policies advertising:

- Give the prospects all possible information that would help them.
- Avoid jargon and convey information in language the public can easily understand.
- Unlike cigarette, cosmetics or textile advertisements, a LIC product can seldom say it all in one or two lines. The more the advertising explains, the more likely a sale is. In LIC product advertising all evidence points to the fact that long copy does get read.

A number of important responsibilities are carried out by LIC in advertising. These include:

1. Determining the size of the advertising budget (appropriation),
2. Choosing the media to use (newspapers, magazines, television or radio, for example).
3. Developing copy (what the advertising message should say).
4. Choosing and working with advertising agencies.
5. Testing the effectiveness of advertisements.
9) **Financing:** It is very difficult to carry on marketing activities smoothly without the availability of adequate and cheap finance. Finance is required to keep sufficient stock in anticipation of demand, which involves the use of capital to finance the marketing agencies like Development Officer, Agents, Enunciators, Brand Ambassadors, and advisers in their various activities.

10) **Market Information:**
Importance of market information has been recognized with the extent of markets and mass scale sales of Policies. Decisions on marketing are based on information regarding market conditions. In fact, marketing research has now become an independent branch of marketing. Marketing information system is a set of procedures or methods for planning, analyzing and presenting proper information, which is used in making clear market decisions.

11) **Pricing:** Pricing is another major functional area of marketing. Pricing for the services for the LIC product is included in the Premium value which is one of the important elements of marketing mix that generates profits. To LIC. Some of the important decisions to be made by those who are responsible for pricing include the following:

1. Deciding on basis objectives for prices that are to be included in Insurance premium.
2. Deciding on a basic approach to price setting. For example, are prices for the LIC products to be generally established because to the costs they incur or are they to be related to the demand in the market?
3. Placing a specific price on each LIC product.
4. Deciding if and when these specific prices are to be changed along with the insurance premium.
5. Putting prices in Premium on new products.
6. Establishing markup, markdown, and discount policies.
7. Ensuring that pricing policies adhere to legal requirement.

12) **Sales Promotion**: Sales promotion activity of the marketing is related with creating the demand for the LIC product. Promotion helps in persuading the buyers to favor the LIC and its products, by spreading the information about the product or service throughout the market.

Promotion includes all those functions which are related with marketing of a LIC product and all other activities designed to increase sales and extend the market. Insurance Policies or Sales promotion is also undertaken to increase sales directly with the help of personal selling and publicity through the media of risers or poster advertising. Distributing of free benefits while taking the policies or giving seasonal discounts are also one of the important activities of insurance policies promotion.

The LIC use basically three ways in which it can sell to their customers:

a) Direct face-to-face sale; something very commonly noticed in the case of sales of various types of Insurance policies

b) An indirect face-to-face sale; this occurs when LIC products are provided through intermediaries. Examples could be project consultants helping their clients to raise finance against insurance policies.

c) Direct marketing through offices of LIC where no face to face contract is made with the consumer.

**Privatization of Insurance Business**

Liberalization, Privatization and Globalization have become a much talked of subject among economists, businessmen, politicians and professionals in modern days. Privatization is expressed as the supporting
pillar on which is the edifice of new economic policy of our Government has been erected and implemented since 1991. Life Insurance Sector has also been in the fold of privatization which has gathered momentum since around the 1990 has become the hallmark of the new wave of economic reforms in the insurance sector.

The fundamental reasons for privatization of Life Insurance Business are:-

(i) Opening up of doors for tremendous employment potentiality.
(ii) Achievement of national objectives like checking concentration of economic power, poverty alleviation, and redistribution of wealth.
(iii) Encouraged competition amongst the various insurance companies and facilitated the services in favor of customers in minimum cost.
(iv) Promotion of economic growth
(v) Contribution to national exchequer
(vi) Contribution to global business
(vii) Promoting research and development
(viii) Export of insurance product
(ix) Stimulating the overall economic activity in India,
(x) Motivating capital formation and Stimulating resource mobilization

As part of the wide-ranging economic reforms announced in 1991, industrial policy measures were initiated by the Government of India to liberalize the MRTP and FERA regulations. The most important aspect of the MRTP Act was amended to totally remove pre-existing restrictions on establishments of new undertaking and expansion of the existing firms. Important changes were also made in the Foreign Exchange Regulation Act (FERA) of 1973 in order to encourage foreign investment in India. FERA companies are allowed to have foreign equity holdings up to 51 percent in high priority areas. FERA companies are granted great freedom to operate in India, Since restriction on internal operations have been removed. It means that FERA companies are now treated almost at part with the Indian companies. It is a great motivation to foreign corporate giants to freely operate in India without fear.
As part of the liberalization process, the Government had to review the role of insurance sector and Government's investment in it. Accordingly the Malhotra committee set up to study the insurance sector suggested in 1944 in its reports among other things the privatization of the insurance sector. While praising the work done in achieving many of its objectives, the committee was critical about the low insurance coverage, unresponsiveness to customers needs, poor service, costly insurance cover with low returns, hierarchical management and an excessive lapse ratio policies. It stated that there was a large untapped potential for insurance in the country and this led to the first step being taken towards opening up this sector to private player. As the results of the committee's recommendation to open up the sector to participation was implemented by the Government in 2000. The key element in the reform process was the participation of overseas insurance companies through restricted to 26 percent of capital.

The Indian insurance sector was opened for private insurance sectors when the Government enacted the Insurance Regulatory and Development Authority Act 1999 leading to the establishment of IRDA. The main objective of setting up the IRDA was to protect the interest of policy holders and to regulate, promote and ensure orderly development of the insurance sectors. It is also aimed at ending the monopoly of the Life Insurance Corporation (LIC) and General Insurance Corporation (GIC) in the insurance sector of the company. The first private life insurance company was registered with IRDA in October 2000 and started operations shortly thereafter, there by ending 44 years of public sector monopoly. Since then many more private companies have been registered bringing the total number to a dozen as of July 2002 all of which are joint ventures between major business houses or banks in India and renowned international insurance giants. To day after nearly fifty years, the
insurance sector is a buyer's market where the consumer has the choice to select from variety of insurers. The table shows the lists of new entrants of insurers are associated with foreign shareholders to sell insurance products in India as on 2002 is given below:

### List of Private Life Insurers in India

<table>
<thead>
<tr>
<th>Company</th>
<th>Foreign Shareholder</th>
<th>Major Local Shareholder</th>
<th>Business of Local Shareholder</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Allianz Bajaj Life</td>
<td>Allianz</td>
<td>Bajaj Auto</td>
<td>Auto Manufacturer</td>
</tr>
<tr>
<td>2) AMP Sanmar</td>
<td>AMP</td>
<td>Sanmar</td>
<td>Diversified Conglomerate</td>
</tr>
<tr>
<td>3) Birla Sun Life</td>
<td>Sun Life Of Canada</td>
<td>Birla Global,Finance</td>
<td>Diversified Conglomerate</td>
</tr>
<tr>
<td>4) DaburCGU</td>
<td>CGNU</td>
<td>Dabur</td>
<td>Medical &amp; Consumer Products</td>
</tr>
<tr>
<td>5) HDFC Standard Life</td>
<td>Standard Life</td>
<td>HDFC</td>
<td>Investment &amp; Finance</td>
</tr>
<tr>
<td>6) ICICI Prudential Life</td>
<td>Prudential (UK)</td>
<td>ICICI</td>
<td>Investment &amp; Finance</td>
</tr>
<tr>
<td>7) ING Vysva Life</td>
<td>ING</td>
<td>Vysya Bank</td>
<td>Bank &amp; Other Investors</td>
</tr>
<tr>
<td>8) Max New York Life</td>
<td>New York Life</td>
<td>Max India</td>
<td>Diversified Conglomerate</td>
</tr>
<tr>
<td>9) Met Life India</td>
<td>Met Life</td>
<td>Jammu &amp; Kashmir</td>
<td>Bank and Diversified</td>
</tr>
<tr>
<td>10) OM Kotak Mahindra</td>
<td></td>
<td>Bank: Pallonji Group</td>
<td>Conglomerate</td>
</tr>
<tr>
<td>11) SBI Life</td>
<td>Old Mutual</td>
<td>Kotak Mahindra</td>
<td>Investment &amp; Finance</td>
</tr>
<tr>
<td>12) TATA-AIG Life</td>
<td>Cardiff</td>
<td>SBI</td>
<td>Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Diversified Conglomerate</td>
</tr>
</tbody>
</table>
Performance of Private Life Insurance

The healthy development of the insurance industry in India has been boosted by the private insurers which has contributed substantially high percentage in over all performance. The private sectors brought with them international experience, cutting edge technology, new products and had the advantages technology, new products and had the advantages of starting off in the current regulated environment rather than changing over from an old environment. A report brought by Boston Consulting Group in 2003 given the performance of some of the private insurers fully operational in the year 2001-2002. The first year (2001-2002) J premium income of ICICI prudential was Rs.115.9 Crores; Max New™ York Life was HDFC Standard Life was Rs. 36.1 Crores; Birla Sun Life was Rs.36.1 Crores; Allianz Bajaj was Rs. 18.05 Crores; SBI Life was Rs. 15.20 Crores; and O M Kotak was Rs. 12.83 Crores respectively. According to 1RDA Life Council given the report in the year ended may 2002, more than 3,00,736 policies were issued by the private players in India. It was contributed by 1.30 percent of the combined market share of private insurers. The same year the total policies were issued by LIC was 2,31,88,144. The total premium of UC in 2001-2002, 1 including renewal premium was Rs.49,614 Crores with a growth rate of 42.25 percent. It indicates that LIC, the premier life insurer and one of the most stable financial institutions in the country, during the forty six years of its existence has been through several trails and tribulations, but has managed to grow and metamorphose into the giant it is today.

Conditions for effective Marketing of Insurance Products

The healthy development of the insurance industry in India has been boosted by the private insurers which has contributed substantially
The success of private insurers primarily depends on the following marketing strategies:-

1) By constantly analyzing the challenges and market opportunities to estimate the targets.
2) New products should be simple and economical and also expected to give better return.
3) Should provide more new innovative products with very competitive pricing.
4) Should be focused on aggressive advertising. Unique advantages of promotional campaigns explain considerably success in private insurance companies.
5) Proper training facilities should be provided to the intermediaries in order to enhance their efficiency.
6) Large number of trained and professional agents should be appointed as intermediaries to development and expansion of insurance market.
7) Better after sale services should be provided at the time of processing of a claim, documentation, and settlement of claims.
8) A target of zero outstanding claims to be set.
9) Build up a large network of office in order to take insurance close to the insuring public.
10) Different strategies should be adopted to penetrate the market by developing multi channel distribution models.
11) Should be focused on direct selling or using bank net work to sell insurance products.
12) Use innovative technology to design and administering of insurance products.
13) Emphasis on the sale of want satisfying utilities i.e. acid-test of insurance business success is consumer's satisfaction.
14) Making their distribution channel more productive and cost effective.
15) Strong control over their distribution channel.

Global Insurance Market

The life insurance markets are quite developed in many countries. Insurance markets are important sources of financing trade, industry and government. The life insurance markets are an integral part of a country's economy. Various types of life insurance products available on the
developed international insurance markets from the USA, UK and Japan etc. are given below:

1) Term or temporary insurance
2) Convertible term insurance
3) Income benefit
4) Whole life insurance
5) Endowment insurance
6) Unit linked plans
7) Income bonds
8) Building society linked savings plans
9) Universal plans
10) Variable life
11) Annuities
12) Pensions
13) Group life insurance.

The major insurance markets in the world have shown growth in life insurance business. It would be worthwhile here to have a look at a few performance indicators of the developed life insurance market in the world.

**Share of World Insurance Market**

The insurance market of the world in 2006 in terms of premium income was US $ 5140926 million which is shared by the countries in different proportion as shown below:-

- Japan, the world leader, 41.28%
- U.S.A being 21.39%,
- France 6.73%,
- U.K. 5.88%,
- West Germany 5.04%,
- South Korea 3.78%, Switzerland 1.65%,
Netherlands 1.52%,
South Africa 1.34%.
Canada 1.32%,
Australia 1.19% and
Italy1.15%.

The other countries had a world share in the range of 0.02% to 1.76%. It can be observed that Japan, the USA, the UK and France are obviously the top four countries in the world insurance market and together they hold 75.28% share in the world life insurance market.

Performance of Global Life Insurance (1995-2001)\textsuperscript{13}

Today insurance has moved to the centre stage of the world economy. The growth of insurance Worldwide and its manifestly increasing relevance to major aspects of Government action (social polices, savings, environment and industrial risks, health schemes, liability issues, catastrophic and systematic risks) provides a clear indication of where some key issue of the Global economy are to be found. With the opening up of the insurance sector, policy holders/investors will be exposed to a wide range of products. In a liberalized market, the country can gather enormous investment for infrastructure growth; competition can bring in a dynamic and health insurance industry. The given below table shows the performance of Global life insurance measured in terms of insurance penetration i.e. premium in % of Gross Domestic product and insurance density i.e. premium per capita from 1995 to 2001.

The table gives the Global view of insurance penetration, Life and Non-life insurance business separately. Insurance penetration is measured in terms of premium (in USD) as a percentage of Gross Domestic Product of the country.
India's penetration for Life and Non-life in 1995 was 1.41% and 0.60% and it has increased to 2.15% and 0.56% in 2001 respectively. It reveals the India's growth rate of 52.48% from 1995 to 2001.
Table No. 3.1
Insurance Penetration: Premium In % Of Gross Domestic Product
(The Continent And India)

<table>
<thead>
<tr>
<th>Year</th>
<th>North America</th>
<th></th>
<th>Latin America</th>
<th></th>
<th>Europe</th>
<th></th>
<th>Asia</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Life</td>
<td>Non-Life</td>
<td>Total</td>
<td>Life</td>
<td>Non-Life</td>
<td>Total</td>
<td>Life</td>
<td>Non-Life</td>
</tr>
<tr>
<td>1995</td>
<td>3.59</td>
<td>4.86</td>
<td>8.45</td>
<td>0.43</td>
<td>1.44</td>
<td>1.87</td>
<td>3.40</td>
<td>3.12</td>
</tr>
<tr>
<td>1996</td>
<td>3.66</td>
<td>4.71</td>
<td>8.37</td>
<td>0.45</td>
<td>1.33</td>
<td>1.78</td>
<td>3.55</td>
<td>2.97</td>
</tr>
<tr>
<td>1997</td>
<td>3.80</td>
<td>4.61</td>
<td>8.41</td>
<td>0.49</td>
<td>1.37</td>
<td>1.86</td>
<td>3.85</td>
<td>2.93</td>
</tr>
<tr>
<td>1998</td>
<td>4.04</td>
<td>4.52</td>
<td>8.97</td>
<td>0.54</td>
<td>1.40</td>
<td>1.95</td>
<td>4.07</td>
<td>2.86</td>
</tr>
<tr>
<td>1999</td>
<td>4.17</td>
<td>4.25</td>
<td>8.42</td>
<td>0.63</td>
<td>1.36</td>
<td>1.99</td>
<td>4.69</td>
<td>2.88</td>
</tr>
<tr>
<td>2000</td>
<td>4.40</td>
<td>4.22</td>
<td>8.62</td>
<td>0.69</td>
<td>1.36</td>
<td>2.05</td>
<td>5.34</td>
<td>2.84</td>
</tr>
<tr>
<td>2001</td>
<td>4.30</td>
<td>4.50</td>
<td>8.80</td>
<td>0.72</td>
<td>1.46</td>
<td>2.17</td>
<td>4.89</td>
<td>2.95</td>
</tr>
</tbody>
</table>

Source:- LIC Information Brochure Global View of Insurance.2004
### Table No. 3.2

**Global View Of Insurance Penetration, Life And Non-Life Insurance Business**

<table>
<thead>
<tr>
<th>Year</th>
<th>Africa</th>
<th>Oceania</th>
<th>World</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Life</td>
<td>Non-Life</td>
<td>Total</td>
<td>Life</td>
</tr>
<tr>
<td>1995</td>
<td>5.19</td>
<td>2.11</td>
<td>7.30</td>
<td>4.03</td>
</tr>
<tr>
<td>1996</td>
<td>3.90</td>
<td>1.82</td>
<td>5.72</td>
<td>4.30</td>
</tr>
<tr>
<td>1997</td>
<td>4.13</td>
<td>1.59</td>
<td>5.72</td>
<td>4.99</td>
</tr>
<tr>
<td>1998</td>
<td>3.63</td>
<td>1.20</td>
<td>4.84</td>
<td>5.74</td>
</tr>
<tr>
<td>1999</td>
<td>3.42</td>
<td>1.18</td>
<td>4.60</td>
<td>5.75</td>
</tr>
<tr>
<td>2000</td>
<td>3.03</td>
<td>1.06</td>
<td>4.09</td>
<td>5.43</td>
</tr>
<tr>
<td>2001</td>
<td>3.38</td>
<td>1.16</td>
<td>4.54</td>
<td>5.09</td>
</tr>
</tbody>
</table>

Source: LIC Information Brochure Global View of Insurance 2004
Table No. 3.3
Insurance Density: Premium Per Capita (In Usd) (The Continents And India)

<table>
<thead>
<tr>
<th>Year</th>
<th>North America</th>
<th>Latin America</th>
<th>Europe</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Life</td>
<td>Non-Life</td>
<td>Total</td>
<td>Life</td>
</tr>
<tr>
<td>1995</td>
<td>959.71</td>
<td>299.5</td>
<td>2259.2</td>
<td>16.5</td>
</tr>
<tr>
<td>1996</td>
<td>1021</td>
<td>1212.6</td>
<td>2333.1</td>
<td>17.9</td>
</tr>
<tr>
<td>1997</td>
<td>1114</td>
<td>1353.1</td>
<td>2467.4</td>
<td>21.7</td>
</tr>
<tr>
<td>1998</td>
<td>1224</td>
<td>1368.4</td>
<td>2592.1</td>
<td>21.4</td>
</tr>
<tr>
<td>1999</td>
<td>1369.0</td>
<td>1396.6</td>
<td>2765.5</td>
<td>22.5</td>
</tr>
<tr>
<td>2000</td>
<td>1526</td>
<td>1462.1</td>
<td>2987.6</td>
<td>26.6</td>
</tr>
<tr>
<td>2001</td>
<td>1508.6</td>
<td>1575.4</td>
<td>3084.0</td>
<td>26.3</td>
</tr>
</tbody>
</table>

Source:- LIC Information Brochure Global View of Insurance.2004
<table>
<thead>
<tr>
<th>Year</th>
<th>Africa</th>
<th>Oceania</th>
<th>World</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Life</td>
<td>Non-Life</td>
<td>Total</td>
<td>Life</td>
</tr>
<tr>
<td>1995</td>
<td>51.6</td>
<td>21.0</td>
<td>72.6</td>
<td>761</td>
</tr>
<tr>
<td>1996</td>
<td>46.4</td>
<td>21.7</td>
<td>68.0</td>
<td>894</td>
</tr>
<tr>
<td>1997</td>
<td>52.7</td>
<td>20.3</td>
<td>72.9</td>
<td>1023</td>
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<tr>
<td>1998</td>
<td>27.1</td>
<td>9.1</td>
<td>36.2</td>
<td>842</td>
</tr>
<tr>
<td>1999</td>
<td>24.1</td>
<td>8.3</td>
<td>32.4</td>
<td>901</td>
</tr>
<tr>
<td>2000</td>
<td>23.5</td>
<td>8.2</td>
<td>31.7</td>
<td>806</td>
</tr>
<tr>
<td>2001</td>
<td>22.4</td>
<td>7.7</td>
<td>30.1</td>
<td>698</td>
</tr>
</tbody>
</table>

Source:- LIC Information Brochure Global View of Insurance.2004
Table No. 3.4

Insurance Density (Per Capita Premium) – Selected Countries (2001)

<table>
<thead>
<tr>
<th>Selected Countries</th>
<th>Non Life (In USD)</th>
<th>Life (In USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S</td>
<td>1381</td>
<td>1079</td>
</tr>
<tr>
<td>Canada</td>
<td>709</td>
<td>501</td>
</tr>
<tr>
<td>U.K</td>
<td>677</td>
<td>1433</td>
</tr>
<tr>
<td>France</td>
<td>790</td>
<td>1559</td>
</tr>
<tr>
<td>Japan</td>
<td>896</td>
<td>3236</td>
</tr>
<tr>
<td>Malaysia</td>
<td>121</td>
<td>98</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>South Africa</td>
<td>99</td>
<td>367</td>
</tr>
<tr>
<td>Australia</td>
<td>794</td>
<td>1011</td>
</tr>
<tr>
<td>New Zealand</td>
<td>787</td>
<td>305</td>
</tr>
<tr>
<td>Brazil</td>
<td>77</td>
<td>18</td>
</tr>
<tr>
<td>Mexico</td>
<td>28</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: - LIC Information Brochure Global View of Insurance.2004

From the above table highlights the Insurance Density measured in terms of Prima Capita (in USD). The premiums per capita were given from the year 1995 to 2001 for all continents for Life and Non-life insurance business. India's premiums per capita were 4.5 USD and 1.9 USD in 1995 and it has increased to 9.1 USD and 2.4 USD in 2001 at a growth of 102.22% from 1995 to 2001.
Insurance Density (per capita premium)-selected countries

Insurance Density is measured in terms of per capita (in USD) for selected countries including India during the year 2001 is highlighted in the given below table:

It is observed from the table that the insurance density in terms of premium per capita for non-life and life insurance business in USA was 1381 USD and 1079 USD in 2001. It is seen that USA is a leading highest insurance density country for Non-life business among the selected countries. On the other hand, premium per capita for life business Japan secured a top rank of 3236 USD during the same period. But for non-life business Japan leading a second position of 896 USD. It is important to note here that next to Japan, the non-life business of Australia was 794 USD, next to France was 790 USD; New Zealand was 787 USD: Canada was 677 USD respectively. It shows that the significant impact of insurance density among the above said countries. It also seen that the premium per capita for life-business of France was 1559 USD; U.K. was 1433 USD; U.S was 1079 USD and Australia was 1011 USD respectively: Thus, it had shown a satisfactory progress of life insurance business during the same period. While per capita premium for life and non-life insurance business of South Africa was 99 USD; Brazil was 77 USD and 18 USD; Mexico was 28 USD and 14 USD; India was 2 USD and 5 USD; and Pakistan was 2 USD and 2 USD respectively. This is poor reflection on insurance density of Malaysia. Brazil, Mexico, India and Pakistan. Particularly India and Pakistan shows very low per capita premium during the year 2001. This is most discouraging sign which needs more attention.
Perception of Asian Insurers on Liberalization

The Asian insurance markets, identified as the fastest growing in the world, are slowly gearing up to face the current trends and pressures towards global liberalizations of trade in insurance services. Japan, Korea, and Taiwan, by their sheer size and potential, are considered the three most sought after markets by foreign insurers. They also have been eyeing opportunities in Southeast Asia while casting their long-term plans on the potential opening of the giant nationalized market of China and India.

Challenges in Marketing faced by Life Insurance Industry

Marketing of the financial products of the Life insurance industry all over the world is in a state of turbulence and turmoil due to rapid changes in the financial global market place and challenges from the competitors. The challenges being faced by the life insurance industry at present are the result of:

(a) Reforms in industrial policy and industrial licensing, investment promotions, expenditure control, etc.
(b) Reforms in trade policy and changing regulations, price stability, and taxation, etc.
(c) Industry image problems and methods of conducting business;
(d) Low productivity and high cost of agency organisation;
(e) Reducing controls on imports of investment norms;
(f) Changes in the external environment for life insurance market;
(g) Impacts on inflationary pressures;
(h) Changes in the population structure;
(i) Changes in the structure of personal financial assets;
(j) Aggressive inroads made by banking and other financial institutions;
(k) Aggressive competitors whose publicity is targeted to ridicule
traditional life insurance companies;
(l) High expense margins specially for companies, who solely rely on captive insurance agents for selling;
(m) Change in outdated design with shifting of priorities from product to distribution channel to product designed to suit the customers;
(n) Customers expectations- return on investment;

Factors consider meeting the Challenges

To meet the emerging challenges the life insurance industry has to gear itself up with:
(1) Innovative work technology:
(2) Proper information system:
(3) Creating product designs capable of meeting the challenge of consumerism:
(4) Merger and working arrangements with other financial services with a view to developing composite financial services aimed at providing total consumer satisfaction;
(5) Enlisting total employee support for its strategic plans and programmes for marketing various kinds of policies;
(6) Product diversity to penetrate into rural and semi urban market segment more extensively which was hither to been somewhat given inadequate attention;
(7) Adequate training for agents and development officers who from the core marketing personal, making them more professional in their attitude and approach very much necessary in marketing activity, and above all;
(8) Educating customers and creating a saving habit and investment culture, especially in semi urban and rural areas.

It must be observed here that meeting the emerging challenges must be a collective responsibility and must be shared by the officials and
staff in policy servicing / claims and accounts departments in addition to the field force.

**Insurance Regulatory and Development Authority (IrDA)**

The Insurance Act 1938 provides that the Government should appoint a Controller of insurance to ensure that insurance companies registered under the Act, comply with the various provisions of the Act. His duties include approval of the terms and conditions of various plans being offered by the companies, including the adequacy on the basis of premium. Scrutiny of the various returns on investments, annual accounts, periodicals, actuarial valuations etc. required to be submitted by the companies. The controller also has powers to order special investigations and also to take over the management of the companies.

After the nationalisation of the insurance industry the responsibilities of supervision had reduced considerably. But with the proposal to open up the industry, following the policy of liberalisation and globalisation, and the likelihood of private companies being permitted to transact insurance business in India, it became necessary to establish an authority to regulate insurance corporations.

The government of India in April 1993 appointed the Committee of Reforms in insurance sector with Shri R.N. Malhotra, a former governor of the Reserve Bank of India as its chairman. The committee submitted its report to the Government of India in Jan. 1994. As per the committee's recommendations the government set up a regulatory body known as the "Insurance Regulatory Development Authority". The insurance bill was passed in both houses of parliament, after the subject matter was discussed and debated and subsequently government enacted the Act viz. Insurance Regulatory and Development Authority (IRDA) Act. 1999. to open up the The Insurance Regulatory and Development Authority Act,
1999 seeks insurance sector for private companies with a foreign equity of 26 percent. It is also aimed at ending the monopoly of the Life Insurance Corporation and General Insurance Corporation in the insurance sector of the country.

**Constitution of the IRDA**

The IRDA shall consist of not more than nine members, not more than five members of whom, including the chairperson to be full time. The whole time members shall hold office for 5 years or until the age of 62 (65 in the case of chairperson) whichever is earlier, part time members will hold office not more than 5 years. The above said members to be appointed by the Central Government from among persons of ability and standing who have knowledge or experience in the insurance, general insurance, actuarial science, finance, economics, law, accountancy, administration or any other discipline which would, in the opinion of the Central Government, be useful to the Authority.

**Objectives of IRDA**

The main objectives of the Insurance Regulatory and Development Authority are:

1) To take care of the policy holders' interest.
2) To open the insurance sector for private sector.
3) To ensure continued financial soundness and solvency.
4) To regulate insurance and reinsurance companies.
5) To eliminate dishonesty and unhealthy competition.
6) To supervise the activities of intermediaries.
Duties and Powers of IRDA

For smooth running of insurance business, the regulatory authority has been vested with adequate power and duties. The duties and powers of the IRDA are:

1) To regulate, promote and ensure orderly growth of the insurance business.
2) To exercise all powers and functions of the controller of insurance.
3) To protect the interest of the policy holders in settlement of claims and terms and conditions of policies.
4) To promote and regulate professional organisations connected with insurance business.
5) To call for information from, undertake inspection and conduct investigations including audit of the insurer, intermediaries and other connected organisations and persons.
6) To control and regulate the rates and terms and conditions that may be offered by the insurers in respect of general insurance matters, not so controlled by the Traiff Advisory Committee under Section 64(U) of the Insurance Act.
7) To prescribe the manner and form in which accounts will be maintained and submitted by insurers and intermediaries.
8) To regulate investment of funds.
9) To regulate margins of solvency.
10) To adjudicate disputes between insurers and intermediaries.

Role of IRDA in Appointment of Agents

The conditions of appointment of agents are regulated by LIC of India (Agents) Regulations, 1972. The procedure for appointment and renewal of licenses of agents as stipulated in IRDA Insurance Agents Regulations, 2000 will have to be strictly adhered to from the date of notification. Accordingly,

1) A person (natural person, Registered Society, Panchayat, Cooperative Society or Firm or Company registered under Companies Act, 1956) can be appointed as insurance agent, in any place within India for soliciting or procuring insurance business, by the insurer or a designated person provided he holds a valid certificate of license issued by IRDA at the time of appointment."

2) The certificate of license will be issued by IRDA as per the
procedure prescribed in the Insurance Agents Regulations 2000. The designated person (appointed by the insurer having authority to appoint agents, and notified to the authority) will receive and forward the application for issue or renewal of license, with requisite fees prescribed by IRDA, to IRDA in the manner prescribed in the Insurance Agents Regulations, 2000.

**Some Areas of Future Growth**

*Life Insurance*

The traditional life insurance business for the LIC has been a little more than a savings policy. Term life (where the insurance company pays a predetermined amount if the policyholder dies within a given time but it pays nothing if the policyholder does not die) has accounted for less than 2% of the insurance premium of the LIC (Mitra and Nayak, 2001). For the new life insurance companies, term life policies would be the main line of business.

*Health Insurance*

Health insurance expenditure in India is roughly 6% of GDP, much higher than most other countries with the same level of economic development. Of that, 4.7% is private and the rest is public. What is even more striking is that 4.5% are out of pocket expenditure (Berman, 1996). There has been an almost total failure of the public health care system in India. This creates an opportunity for the new insurance companies. Thus, private insurance companies will be able to sell health insurance to a vast number of families who would like to have health care cover but do not have it.

*Pension*

The pension system in India is in its infancy. There are generally three forms of plans: provident funds, gratuities and pension funds. Most of the pension schemes are confined to government employees (and some large companies). The vast majority of workers are in the informal sector. As a result, most workers do not have any retirement benefits to fall back
on after retirement. Total assets of all the pension plans in India amount to less than USD 40 billion. Therefore, there is a huge scope for the development of pension funds in India. The finance minister of India has repeatedly asserted that a Latin American style reform of the privatized pension system in India would be welcome). Given all the pros and cons, it is not clear whether such a wholesale privatization would really benefit India or not.

*Other Non-Life Insurance*

The flurry of activities of the new companies in the life insurance market has not been repeated in other types of insurance. The reason is basic: lack of data. Unless the new companies have access to reliable data on accidents of different kinds under Indian conditions, it would be hard to offer a competitive menu of policies.

It seems unlikely that the LIC and the GIC will shrivel up and die within the next decade or two. The IRDA has taken a "slowly" approach. It has been very cautious in granting licenses. It has set up fairly strict standards for all aspects of the insurance business (with the probable exception of the disclosure requirements). The regulators always walk a fine line. Too many regulations kill the incentive for the newcomers; too relaxed regulations may induce failure and fraud that led to nationalization in the first place. India is not unique among the developing countries where the insurance business has been opened up to foreign competitors. We observe that the openness of the market did not mean a takeover by foreign companies even in a decade. Thus, it is unlikely that the same will happen in India, especially when the foreign insurers cannot have a majority shareholding in any company.

The insurance business is at a critical stage in India. Over the next couple of decades we are likely to witness high growth in the insurance sector for two reasons:-
i. Financial deregulation always speeds up the development of the insurance sector.

ii. Growth in per capita GDP also helps the insurance

References