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A REPORT ON MARKETING STRATEGIES ADOPTED BY LIFE INSURANCE COMPANIES IN RURAL AREAS

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ABSTRACT: - Insurance sector is one of the biggest service sectors in India and plays an important role in Indian economy. This sector is focusing on how to provide efficient services to its rural customers. The Indian insurance industry consists of 1 public sector and 23 private sectors. The objective of insurance is serving the people who belong to urban as well as rural. This research is about marketing strategies adopted by life insurance companies in rural areas. Companies need to understand rural marketing strategies to survive and grow in their business, but also a means to the development of the rural economy. Marketing strategies play a vital role for the survival of any insurance company.

Key words: Insurance, marketing strategies, life insurance companies.

INTRODUCTION

Insurance industry is the fastest growing industry in India and, has moved from urban to rural market. Insurance companies in India had better opportunities in rural market. With the expected growth in volumes, India has the potential to improve its competitiveness in Insurance industry. Since deregulation, India has become an emerging site of insurance for rural market. The limited size of the urban market has focused insurance companies to look for rural markets.

The Life insurance industry has started in India way back in the 18th century and has various changes and after independence Life insurance in India was completely nationalized on January 19 by means of the Life Insurance Corporation Act. All 245 existing companies operating in the country were merged into one entity, namely the Life Insurance Corporation of India (LIC). In 1993, the Government set up a committee under the chairmanship of RN Malhotra, former Governor of RBI, to propose recommendations for reforms in the insurance sector. The objective was to complement the reforms initiated in the financial sector. The committee submitted its report in 1994 wherein, among other things, it recommended that the

private sector be permitted to enter the insurance industry. They stated that foreign companies are allowed to enter by floating Indian companies, preferably a joint venture with Indian partners. In 1999 the Insurance Regulatory and Development Authority (IRDA) was constituted as an autonomous body to regulate and develop the insurance industry. The IRDA was incorporated as a statutory body in April, 2000. The key objective of IRDA includes promotion of competition in order to improve customer satisfaction through increased customer choice and lower premiums, while ensuring the financial security of the insurance market. In 2000 President gives his assent to IRDA Bill and in 2002 banks were allowed to sell insurance plans. In 2010 Securities and Exchange Board of India (SEBI) banned the sale of ULIPs by the life insurance companies without getting its approval and claimed that the ULIPs are more of mutual fund entities rather than insurance entities. IRDA asserted its own authority on the governance of ULIPs and permitted the companies to resume selling the ULIP

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products. In 2016 the Government of India has launched two insurance schemes as announced in Union Budget 2015-16. The first is Pradhan Mantri Suraksha Bima Yojana (PMSBY), which is a Personal Accident Insurance Scheme. The second is Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), which is the government's Life Insurance Scheme.

At present there are 24 Insurance companies with one LIC as public sector and 23 private insurance companies.

REVIEW OF LITERATURE:

Venkataramani.K, Dr.R.Mohan Kumar, Dr.G.Brinda (2015), in their article, "A study on the attitude of Consumers and Insurance Agents towards the proposed increase in Foreign Direct Investment (FDI) in Insurance sector in India" have conducted quantitative survey to gauge the attitude of public and the insurance agents who are doing the business on behalf of the insurance companies toward the decision of government of India to rise the cap in FDI in insurance sector from 26% to 49%. The study was conducted in Chennai city with a study sample of 200 which consist of insurance customers and insurance agents And the study focused on four major factors like impact on economy, impact on service to customers, general benefits, impact on insurance business/market.

Dr Sunayna Khurana (2013), in her article, "Analysis of Service Quality Gap in Indian Life Insurance Industry" says that Life insurance companies in India offer similar kinds of plans and services, but they could provide differences in terms of service quality .In this context this research tried to find out the gap between Customer expectation & customer perception in the Life insurance industry by examining a Sample of 200 customers of 10 top performing Life insurance companies in Haryana state. The study found that there is highest gap in customer expectations and perceptions towards the competency dimension of service quality. That means customers are expecting high service quality and perceiving very less quality in case of services related to competency dimensions.

Krishnaswamy (2009) presents a detailed description about insurance intermediaries, IRDA regulations, insurance products, life insurance claims, bancassurance and insurance marketing and financial planning.

Ashokan (2007) has traced the origin and development of insurance business in India and analysed some of the major issues associated with the entry of private players. The study revealed that the

private players are very keen to convert the untapped market potential by providing multitude of products. To cope with the changing scenario, the public sector companies have become aggressive in terms of product offerings, marketing and distribution. The study also revealed that the premium charge is relatively high due to obsolete and inefficient operations. India has a low insurance coverage and the country ranks fifty one position in the world with 1.95 percent insurance penetration.

S. Krishnamurthy (2005) points out that the life insurance industry has shown extremely satisfactory results in terms of premium income and new policies sold but a huge potential still remains unexploited. Experience suggests that consumers still favour insurance as a saving tool. There is a need to change the perception of Indian consumers towards insurance and it is the responsibility of the distribution channel to advise and educate consumers.

Kundu (2003) in his article discusses the various issues in the insurance industry after the entry of new players. India has a low insurance penetration of 1.95 percent. The saving rate in India is 25 percent but only less than five percent is spent on insurance. The market is witnessing a wide array of products from new players. The profile of the consumer is also changing. People are looking for integrated financial solutions that can offer stability of return along with total protection.

STATEMENT OF PROBLEM: In present scenario due to globalization there is a competitive environment in the insurance industry in India. Life Insurance Corporation (LIC) is facing severe competition from private players. Due to untapped rural market the companies are trying to adopt various marketing strategies to attract the rural customers. Here the researcher aims to analyze the various marketing strategies adopted by life insurance companies in rural areas.

OBJECTIVES OF THE STUDY:

- To study the various marketing strategies adopted by Life Insurance Companies in Rural Areas.
- To find out the market share of Life Insurance Companies.
- To suggest the suitable measures to meet competition.

Life insurance Corporation (LIC): LIC is the old and brand and government owned insurer in the market. Its market share is large compared to private insurance companies. However LIC is facing severe

competition pressure. LIC has been formulating new marketing strategies and plans from time to time. LIC is following the below steps to increase its market share and continue its NO.1 position in the insurance industry.

Product development- LIC has introduced new plans to meet the needs and wants about protection against the risk, old age pension plans, and investment with risk cover. Every year by conducting market research it introduces new innovative plans and also withdraws those plans which have less response. LIC is has been changing its products because of changing behaviours of consumers and competitive pressure.

Distribution channels- In distributing or selling the policies agents play a vital role. LIC has been introduced alternative channels to increase its volume.

ICICI Prudential Life Insurance: ICICI Promotional strategies consists of Advertising, Sales promotion, Personal Selling, Public Relations. And also it has adopted new strategies i.e. Push (sales force and trade promotions of company to create demand for company product) or Pull Strategy (spending high on advertising to pull consumers for their company brand), Promotion through Product Life Cycle (Introduction, Growth, Maturity and Decline), Internet Promotion.

SBI Life Insurance: Financially Sound with over 100 Years of Banking Experience, Affordability, Easy to Buy Trust and Reliability, Customer Satisfaction. After LIC SBI insurance has more market share.

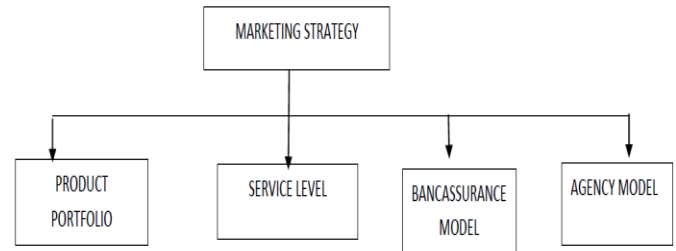
Major companies market share in terms of life insurance premium collected (FY16)



Source: TechSci Research, LIC - Life Insurance Corporation of India

BAJAJ ALLIANZ LIFE INSURANCE COMPANY: Its marketing strategy is to have lesser number of bancassurance tie-ups but to have deeper relations with them. It will be a multi channel distribution company. Bancassurance contributes around 35% of our premiums. The channel partners are chosen on the basis of number of branches, the

customer base and more importantly the seriousness of the top management to enter into insurance.



Performance of LIC compared to private players

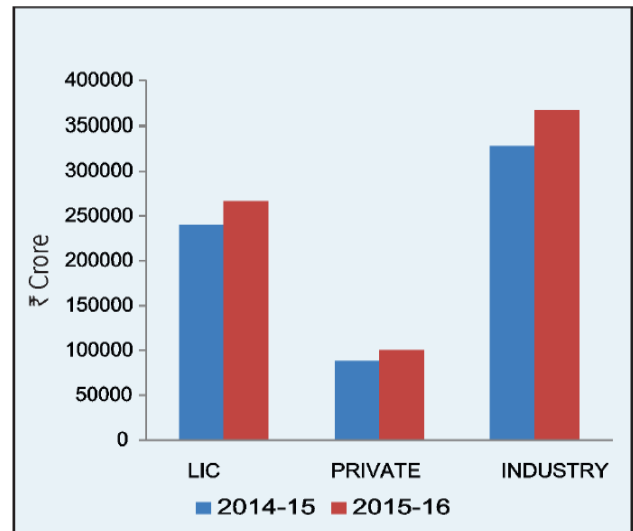


Chart 1: Collection of premium when compared to private players.

(Source: IRDA annual reports 2015-16)

Private life insurers are slowly acquiring the market share with their new products, services and the global knowledge of expertise in life insurance business. This is because the various marketing strategies adopted by private players at that time.

Market shares of Life insurers.

Insurers	2014-15	2015-16
Regular premium (1)		
LIC	49.16	46.74
Private sector	50.84	53.26
Total	100.00	100.00
Single Premium (2)		
LIC	83.53	84.27
Private sector	16.47	15.73
Total	100.00	100.00
First Year Premium (3=(1+2))		
LIC	69.27	70.50
Private sector	30.73	29.50
Total	100.00	100.00
Renewal Premium (4)		
LIC	75.04	73.90
Private sector	24.96	26.10
Total	100.00	100.00
Total Premium (5=(3+4)=(1+2+4))		
LIC	73.05	72.61
Private sector	26.95	27.39
Total	100.00	100.00

(Source: IRDA annual reports 2015-16)

Table 1: Comparative study on marketing strategies adopted by life insurance Companies

Strategy	LIC	BAJAJ ALLIANZ	SBI	ICICI
Internet	Yes	Yes	Yes	Yes
Push or Pull strategy				Yes
New Product Development	Yes			
Why Buy Insurance			Yes	

Table 2: Channels of distribution of products of life insurance companies

Channels of Distribution	LIC	BAJAJ ALLIANZ	SBI	ICICI
Advertising	Yes	Yes	Yes	Yes
Personal selling	Yes	Yes	Yes	Yes
Public relations	Yes	Yes	Yes	Yes
Sales promotion	Yes	Yes	Yes	Yes

Findings, Suggestions and Conclusion

From the above review of literature it is proved that marketing strategy adopted by insurance companies has changed a lot. In present scenario private life insurance companies has started to pull up the market share from LIC and it evident from the annual reports submitted by IRDA. But now the current scenario is that the Focus of Insurance Industry is to market the product through various distribution channels such as Agents, Banc assurance, Internet, and to come up with new Ideas and initiatives. So in the present era to hold up the current market share the following should have to be executed.

- Market research should be done before introducing new product.
- Appointing the local agents where customers will trust them.
- Creating awareness that insurance is not only about risk covering it is also the investment plan.
- Call centre facilities in local language
- Well established infrastructure facilities.

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