

MARKETING PROBLEMS AND PROSPECTS OF LIFE INSURANCE PRODUCTS

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Abstract

Indian rural Market has wide opportunities for emerging insurance sector. Opportunities of insurance sector in potential rural Indian market are very attractive. The story of insurance is probably as old as the story of mankind. Tendency of a human being to secure themselves against loss and disaster has been from the starting of world. They sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era – past few centuries, yet its beginnings date back almost 6000 years as per records. Insurance may be defined as protection of financial assets against unfortunate events. The business of insurance is related to the protection of the economic values of assets. So insurance is a mechanism that helps to reduce the effects of such adverse situations. This paper is a modest attempt to study the problems and prospects related to marketing of Life Insurance Products.

Key Words: IRDA, Life Insurance, Perception

Introduction

Life insurance companies in India have to comply with the strict regulations laid out by Insurance Regulatory and Development Authority of India (IRDA). Therefore there is no risk in going in for private insurance players. In

terms of being rated for financial strength like international players only ICICI Prudential is rated by Fitch India at National Insurer Financial Strength Rating of AAA with stable outlook indicating the highest claims paying ability rating.

Life Insurance Corporation of India (LIC), the state owned behemoth, remains by far the largest player in the market. Among the private sector players, ICICI Prudential Life Insurance (JV between ICICI Bank and Prudential PLC) is the largest followed by Bajaj Allianz Life Insurance Company Limited (JV between Bajaj Group and Allianz) and PNB Met Life (JV between Punjab National Bank and Met Life). The private companies are coming out with better products which are more beneficial to the customer. Among such products are the ULIPs (Unit Linked Insurance Plans) which offer both life cover as well as scope for savings or investment options as the customer desires. Further, these types of plans are subject to a minimum lock-in period of three years to prevent misuse of the significant tax benefits offered to such plans under the Income Tax Act; hence, comparison of such products with mutual funds would be erroneous.

Changing perception of Indian customers

Indian Insurance consumers are like Indian Voters, they are soft but when time is right and ripe, they demand and seek necessary changes. De-tariff of many Insurance Products

are the reflection of changing aspirations and growing demand of Indian consumers. For historical years, Indian consumers were at receiving end. All that got changed with passage of IRDA act in 1999. New insurance companies have come into existence leading to open competition and hence better products for customers.

Indian customers become very sensitive to Coverage/Premium as well as the Products that is given to them. There are not ready to accept any product, no matter even if that is coming from the market leader, should that product is not serving the purpose. A case in point is ULIP Product/Group Life and Credit Life in Life Insurance segment. The new products are constantly being demanded by Indian consumers, which are putting huge pressures on Insurance companies and Brokers to respond.

Now Indian customers are aware of insurance industry and insurance products provided by companies. They have become more sensitive. They would not accept any type of insurance products unless it fulfills their requirements and needs. In historic day's customers looking at insurance products as a life cover which can provide security against any unacceptable events, but now customers look at insurance products as a life cover. So today's customers wants good return from the insurance companies. The Indian customer's forms the pivot of each company's strategy.

Opportunities of insurance in rural Market

The rural market offers tremendous growth opportunities for insurance companies and insurers should develop viable and cost-effective distribution channels; build consumer

awareness and confidence. Nearly 20% of all farmers in rural India own a Kisan Credit Card. The 25-30 million credit cards offer a huge data base and opportunity for insurance companies. An extensive rural agent network for sale of insurance products could be established. The agent can play a major role in creating awareness, motivating purchase and rendering insurance services.

Being an agrarian economy again there are immense opportunities for the insurance companies to provide the liability and risks associated in this sector. The ASSOCHAM Paper found that the rural markets are still virgin territories to a great extent and offer exciting opportunities for insurance companies. The surest path to success is to judge and measure the requirements of the people correctly and offer a scheme that they would be able to afford.

Insurance companies can add about Rs. 1000 crore to their net worth from nearly 200 million rural folk that are looking for alternate savings channels for their surpluses provided these come out with innovative schemes at affordable premium, according to The Associated Chambers of Commerce and Industry of India (ASSOCHAM). Currently, only 8-10% rural households are covered under life insurance schemes and remaining 90% can be targeted for new innovative insurance schemes.

Rural India's income has risen due to shifting of its occupation from agriculture to nonfarm agricultural income and it has become an important facet of rural India. This income mainly comes from dairy, food processing and packaging, commodity trading and infrastructure development income. The non-agriculture base of rural occupation an income

has been growing in rural GDI figures that are estimated at 45%. ASSOCHAM has therefore felt that this is the opportune time for the public and private insurance companies to enter into rural India in a big way by introducing easy premium schemes in life insurance.

To reach the rural investors, the ASSOCHAM has suggested that the insurance companies should interact with local government/development agencies as well as Panchayats and identify various products for the preparation of the Service Area Credit Plans in the rural areas. Rural Insurance programs are designed cover various risks that affect the rural population and are gaining importance all over the world. India, being one of the faster growing nations of the world, offers great scope and potential for the insurance programs, Rural Insurance being front runner among them.

Indian Life Insurance market can be broadly divided into urban and rural markets. These two segments are diverse in nature and have distinguished characteristics. The economic growth of these two sectors has however, not been the same. A wide disparity exists between the per capita income and literacy rate, among other things, in these two sectors. From an insurance perspective, statistics show that insurance in the rural sector is lower in comparison to its urban counterpart.

In the area of Life insurance, Life Insurance Corporation (LIC) has had a long history of selling policies in the rural areas through its vast agent network. But as these policies are sold entirely by the agent force, the focus on commissions to be earned restricts the profile of products sold to the high valued, savings-linked policies, which are not affordable for a majority of rural households. LIC tapping

the extensive branch network of nationalized banks in deep, miles from anywhere locations. The critical success factor in succeeding in India's rural markets is the element of trust that a company has to gain from the rural consumer.

With a very high percentage of the population, residing in rural Bihar, which is plagued by high poverty levels and risk-bearing vagaries. Rural penetration remains a daunting challenge to most insurers. The ratio of rural Indian Population is very high and it has grown insurance needs: therefore, it is a fact that the potential growth of insurance industry lies in the rural market.

Problems of Marketing Life Insurance Products

The impact of globalization of economy was found not only upon the urban areas of the country but albeit on the rural areas even in the backward states like Bihar. The pace of development accelerated after 2005 mainly by the Nitish Government brought a rapid development in the infrastructural facilities. Besides, the migration of rural population to the urban areas of the country also started gaining a rapid momentum; This considerably impacted the rural economy of Bihar. The multi-dimensional developments in the field of ICT provided an opportunity to the masses to be aware of the developments and transformation taking place around the globe. On the one hand there was an increase in the level of income of the people while on the other hand they were also found much more conscious of the banking and insurance activities. The promotional measures were found instrumental in the sensitization process. The aforesaid developments started enriching the rural markets. The LIC of India delayed the process

of professionalizing the business activities but the private insurance companies assigned much more weightage of professionalized services. Of course the LIC of India evinced interest in the rural welfare activities but we find them not to be much more innovative while conceptualizing the marketing measures. Thus the private insurance companies need not to forget that by enriching creative promotional measures in the rural areas of Bihar in particular, they would get an opportunity to tap the rural markets.

Conclusion

The life insurance is as old as the history of mankind. The scientific concept as such was developed and perfected in the last two to three hundred years. The development of mortality charts and the science of actuaries further provided the impetus. Now all economic activities revolve around risk and insurance is therefore come to central stage of economic activity. Though need for insurance is felt in all financial and economic activities, it is rarely bought and always sold due its intangible nature and lack of proper awareness. This is more felt in rural areas where concept of insurance and the associated uncertainty is viewed with sternness. The need of the hour is more of inclusive insurance where the rural masses are to be further educated and empowered. All rural financial activities need to be inter-twined with insurance for added protection.

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