

Marketing strategies of insurance sector commerce essay



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The new deregulated pricing regime requires an altogether different underwriting model. None exists now. A new model has to be put in place with no prior experience. “ Underwriting”, that was done by the tariff book till now, needs the application of a sharp human mind, professional expertise, keen knowledge of a particular risk, a sensitive analysis of risk factors and their evaluation, a reflection of the insurer’s own past claim experience in respect to similar risks accepted to predict the future loss potential of the risk assumed and a cultivated ability to build a rate model that provides a margin to the insurer.

With no past experience to guide their efforts, how will the insurers now pick-up these underwriting skills, expertise and knowledge base in a short time? How can the employee mindset, that looked to tariffs for the premium rates be persuaded to look at and collect the vast data that is required to price risks to fit the perceived risk factors? What are insurers doing to make their specialized underwriters acquire these levels of skills, expertise and knowledge? It takes time to build expertise and experience but a beginning has to be made.

An insurer is also forced now to redefine his identity either as a low-cost insurer and cut premium rates to stay in business or consciously build price differentiators, because he provides and delivers superior customer-perceived value. Such delivered value may not be financial, but it is highly efficient effective and convenient to an insured, due to the insurer’s specialized expertise, his particularized.

PLACE OR DISTRIBUTION CHANNELS

Distribution refers to the arrangements by which the product after manufacturing is moved till it reaches the customer. There are various intermediaries in every business like wholesalers, retailers, etc. In the service business, agents and brokers are intermediaries in the transaction. Insurance business is sold through agents as intermediaries. In India, the regulation provide that an insurance agent can represent only on life and one non-life insurer. An agent has to obtain a licence from the IRDA.

Brokers also act as insurance intermediaries. But they are different from agents in the sense that they are independent businessmen either working alone or in partnership. Brokers may be found in the non-life insurance business helping customers whose insurance requirements are complex. They handle big risks and need superior financial and analytical skills.

Intermediaries play a very significant role when the claim has to be settled. They have to see that the legitimate claim is duly paid without delays. The other intermediaries at the stage of the claim are:

In the case of general insurance, surveyors and loss assessors, who are independent professionals, who are called upon to inspect the damages and losses claimed against.

Motor accident claims tribunal to adjudicate on the quantum of compensation that should be paid to the victims of motor accidents.

Lok Adalats consisting of judges, to enable expeditious summary disposal of long-pending disputes regarding claims.

Review committees (in the LIC) at different levels, the top most being headed by a high court judge, to review claims which have been repudiated on grounds of misrepresentation of fraud.

Other organizations like hospitals (for healthcare and medical insurances) or garages (for motor repairs) who facilitate the claims settlements.

Direct Marketing

Marketing of insurance products can also be done directly. The media used for direct marketing are:

Direct mail. Letters sent to consumers on the basis of addresses available from sources like telephone directory, membership lists of clubs and professional associations, stock exchange brokers or registrars to companies.

Telephone contacts

Television programmes of relatively longer duration

Advertisements and loose insertion in main line as well as professional and trade journals.

Displays in conferences, services for specialized products linked to the themes of the seminars.

Direct contact from the Insurer's salaried staff.

Stalls in exhibitions and sole exhibitions in remote areas.

Call centres or Service centres

Kiosks with touch technology

Over the counter in big stores.

In India, direct marketing is done by the LIC for its group gratuity and superannuation business.

In non-life insurance business, almost the entire business from corporate bodies had been done through direct marketing. This business was solicited by the officers of the insurers and not through agents.

The internet has opened up new possibilities in direct marketing. Insurance is being used for the following purposes.

To provide basic information about available plans to prospects.

To provide answers to frequently asked questions about insurance.

To provide details of nearest location of insured's representative

To provide quotations for premium and for loans

To provide information to policyholders about policy status, pending requirements, etc.

For premium collection

To sell simple policies like personal accident, medical householder's pure endowment, annuities, etc.

Work Site Marketing

This area needs to be tapped, as in any country one of the biggest markets is through the work site. With changes in human resources management policies and compensation packages, group products or work site products do have a definite market that cannot be ignored.

Here the advantages would be:

Captive customer base

Potential to sell individual insurance and group insurance

High trust factor

High hit ratio for the intermediaries

The challenges would be the cost effectiveness, product customization and efficient post-sales servicing, which would determine continued business.

Technology has a key role to play in work site marketing to ensure cost benefits. Banks and financial institutions have been successfully marketing credit cards and other financial products using this channel. If not an identical model a similar approach can be used for selling insurance.

Internet

Through India is joining the fast growing breed of net users, using net for transactions has not yet caught up. Though a few banks provide online banking the usage is still a small fragment. The insecurity associated with transactions over the net is still an inhibiting factor. At present, most of the

insurance companies have product information and/or illustrative tools on the Web.

We do not see the web evolving into a means for direct selling of insurance in the current scenario. In the Indian market, where insurance is sold after considerable persuasion even after face-to-face selling, the selling over the net, which must be initiated by the client, would take some more time.

While the technology capability is there, improvements in bandwidth and infrastructure are needed. Also needed are simpler products where auto-underwriting is possible. Automobile insurance, one of the segments of insurance purchased “ off the shelf” in India, would be the ideal segment to start with. On the life side, term assurance for standard lives with simplified underwriting is a possibility.

These channels by themselves will not be able to overcome the mindset of the people, but rather can only be enablers for the human channels.

Invisible Insurer

In this model, the insurance company or its representative is not the entity marketing the products. The insurance cover is sold by an automobile/credit card company as an add-on product leveraging the brand of the retailer. The risk is carried by the insurance company, which underwrites it. Products like creditor insurance, automobile insurance, and credit card related insurance could be distributed using this channel. This model can be adopted in all market segments for the lines of business mentioned. It is already prevalent in some areas like credit card insurance and crop insurance for agriculture loans.

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The new players are also attempting this model. The venture of Maruti9 into insurance by setting up two subsidiaries MIDS10 and MIBL11 to sell automobile insurance is a case in point. These firms will largely arrange insurance cover for Maruti's captive base. MIDS has been registered as a corporate agent with an exclusive arrangement with Bajaj Allianz General Insurance, while MIBL has linked up with state-owned National Insurance Company Limited.

What makes these arrangements attractive is the low distribution cost and captive customer base. However, repeat business or renewal business cannot be assured. In the life segment, group creditor insurance may be the most suitable product for this channel.

The postal department started selling life insurance policies way back in 1884 to people working in public sector undertakings and government departments. In 1995, postal department was allowed to sell policies to the general public living in rural areas. The postal life insurance ranks second only to LIC in transacting life insurance business. Last year, business of postal department was higher than of all private life insurers put together. On an all India basis, they sold 27 lakh policies and earned a premium income of Rs. 650 crores. USP is a lower premium and higher bonus, but what is unique is that they don't have any insurance agents selling postal life insurance policies. The business is promoted by a few designated staff and is managed by a separate directorate.

PROMOTION

The purpose of promotion is to communicate with the market. Promotion tries to influence attitudes and receptivity to eliminate misconceptions and thus to more sales.

The IRDA has issued guidelines about advertisements by insurers and the agents or brokers in newspapers, magazines, sales talks, bill boards, hoardings, panels, radio, television, websites, e-mail, portals, leaflets, literature, circulars, sales and flyers, telephone solicitation, business cards, videos, faxes or other communication with a prospect or policyholder urging him to purchase, renew, increase or modify a policy of insurance. The main requirements are:

The advertisement programme has to be overseen by an officer responsible for compliance with the regulations.

A copy of every advertisement should be filled with the IRDA.

Advertisements should disclose the full particulars of the insurer, as well as the form number and type of coverage of the policy referred to.

Display the registration/licence numbers on their websites.

No third party, other than insurer or authorized intermediary can distribute information or recommended purchase of specific insurance products.

Advertisements should not be unfair or misleading.

Along with the advertisements, publicity is also an equally strong medium of promotion. In the case of services, the most effective form of publicity is the word of mouth. But both advertisements and publicity can create awareness and also arouse curiosity or interest. These are not powerful enough to generate desire or to provoke action. Thus public relations become important. Public relations refer to separate, planned and sustained efforts made with a view to establish and maintain mutually beneficial relationships between an organization and its prospective customers. PR tools include; all the tools of publicity, lobbying, journals/newsletters, sponsorship of sports and other activities, special drives, entertainment, lunches and dinners, etc.

PEOPLE

People are the most critical resource in any organization. Without people, no other resource can perform. An employee, who is dissatisfied or worried, may not apply himself fully at work. At the same of interaction with the customer, the employee is alone. The insurance service is judiciary in nature. Thus credibility or trustworthiness, in the perception of the customer, is crucial. The employee can strengthen or erode this.

Critical Success Factors for Insurance

Change in the Attitude of the Population. There is need for a change in the attitude of the people towards insurance. Insurance is taken just as a tool for tax-saving. But insurance can be taken as shield around their families and business for any unknown calamity and also now-a-days insurance provides good investment opportunity. Thus people have to be made aware about the risk coverage and investment part of the insurance.

Open and Transparent Environment created under the IRDA. Insurance as a sector requires players who are financially strong and are willing to wait for returns. Their confidence can only be boosted only if there are open and transparent policy guidelines. This will also help the consumers feel stage that the regulatory is an active one and cares to do everything possible to keep things under control and help the insurance environment grow maturely.

Well-established Distribution Network. Bancassurance is becoming more and more popular. Public sector banks like SBI, PNB, etc. have huge network because of their long existence. Therefore they can be successful.

Trained Professionals. Initially only insurance agents were considered to be the best salesmen for insurance products. But now with Privatisation and Globalisation more and more professionalism is required in sales efforts. Private players have professional qualified sales force.

Rationale Approach to the Investment Criteria. IRDA has guidelines for the investment pattern of the insurance companies to meet its social obligations. But the players feel this compulsion to be unjust and it affects their return on investments. The more the people insured, better the revenue, better the security and ultimately better the morale and productivity.

Stringent Accounting Practice to Prevent Failures amongst the Insurers. Insurer has the hard-earned money of the masses. Failure of any of the insurer for any reason can have disastrous effects. To prevent such possibility, a stringent accounting practice is imperative.

Level Playing Field for all Insurers. Government should provide unbiased environment to all the insurance players, so that everybody has equal opportunities. With coming of private players, LIC is also focusing on advertising and has become one of the biggest advertisers of its products via using wide range of products, i. e., print and electronic media, sponsoring events, road shows, etc.

LIC is focusing both on mass marketing and segmentation strategy.

Main focus of promotion activities is one tax benefit and returns from insurance.

LIC is focusing on CRM.

Challenges for Public and Private Sector Companies

Public Sector Companies

Private Sector Companies

Identity is well established, but the perception of “ poor service providers” is a stigma.

Products are not attractive and flexible enough but expensive.

To retain their creamy layer clientele who are the most likely to be wooed by the new companies

Retain and attract good intermediaries.

Match the aura created by the new companies in the urban market.

Have to build their identity in a market where the public does not distinguish them.

Remove the perception that anything that looks good as expensive.

Work against the people's mindset that they are not here for the long term.

Attract intermediaries especially agents with the requisite qualifications and attributes who can market the company and the product.

Run the risk of tapping an already insured market for repeat insurance instead of tapping new virgin pockets in the market.

MARKETING STRATEGIES OF INSURANCE PLAYERS IN INDIA

Introduction of innovative products and services focusing on targeted customer segment.

Use the concept of CRM and develop relationship with customers to retain the existing customer and make new customers.

Availing the products and services at low cost and with short times.

Insurance players have to focus on employees by focusing on their skills and motivating them for continuous improvements in process capabilities, quality and response times.

Taking the help of information technology, database and systems in an optimum manner.

Punch Line of Some Players

Life Insurance corporation of India

ICICI Prudential

ING Vyasa

Birla Sun Life

HDFC Standard

OM Kotak Mahindra

Tata AIG

Max New York

Bajaj Allianz

AMP Sanmar

Life is Beautiful. “ Zindegi ke sath bhi, Zindegi ke bad bhi.”

“ We cover you at every step in life.”

“ Adding life to insurance”

“ Your dreams, our commitment”

“ Making life easier for you”

“ Jeene ki Azaadi”

“ With you always”

“ Your Partner for Life”

“ We cover almost everything”

“ Creating better futures”

Marketing Strategies of Prominent Insurance Players

Life Insurance Corporation of India :

LIC is the leader in the insurance sector with around 83% market share.

LIC has tied up with corporation bank and Vijaya Bank for distribution of its product.

LIC has computerized and linked all 2, 048 branches.

LIC was the first to introduce online premium payment facilities.

LIC is focusing on rural market because of its established brand name.

ICICI Pru Life. ICICI Pru is the major competitor of LIC. It has the maximum market share among private players.

Companies using tools like workstation marketing, corporate marketing, road shows and stall in trade fair, loading, etc.

Its strategy is to achieve scale in premium income and distribution force in shortest time.

Focus is more on direct selling apart from communication and building personal relations.

Company is marketing at worksite and for corporate customers has adopted a multichannel distribution model.

Company is selling its products as long-term investment plans.

Max New York Life (MNYL). Max New York Life is operating with 2, 500 agents spread in activities in India.

It is using individual agents as its primary source of distribution.

It offers flexible products with many options, and riders.

The company is using various methods like media advertising, event sponsorship, etc. and tools like direct marketing relationship building to generate awareness and build customer base.

The company focuses on the quality of its first sales personnel, i. e., agents.

MetLife. MetLife is a global leader in the financial services and it has tied up with Geojet Infolin technologies for marketing and distribution of its products in India.

It has followed the strategy of phase-wise introduction of products in the market.

It has Bundle method of offering products which includes investment options ranging from insurance, equities, derivatives, mutual funds and TPOs.

The market segment on which MetLife is focusing is South India and J&K.

Tata - AIG. The company is following mass marketing to cover as many as lives as possible in the initial years of its operation. It has expertise in assessing the risk covered.

Bajaj-Allianz. It is giving competition to public sector general insurance companies.

Its main focus is on automobile.

Its advertisements are appearing in local newspapers, television and hoarding.

Birla-Sun Life. It is focusing mainly on high net worth people so that higher sum assured can be taken up.

SBI Standard Life

Its products are simple.

It is doing branch-wise segmentation.

Average size of the policies is smaller.

HDFC Standard Life. HDFC is the leader in housing finance in India and Standard Life is the UK market leader. The company is using direct marketing tactics to build HDFC brand and convincing the customers insurance as a protection tool.

The insurance sector has gained momentum with the entry of private players. Rather than taking away the market share of existing players, the new players have actually helped expand the insurance market. Their ability to offer innovative products aggressive marketing, as well as the general uptrend in economic growth, have given a boost to the industry. In fact, more players, with public sector banks and leading industrialists jumping into the fray. We take a look at the two major segments - life and general - to see how the major players are faring.