

# INSURANCE FOR INDIA

A CONSUMER CONNECT INITIATIVE

ADVERTORIAL AND PROMOTIONAL FEATURE

**TETE-E-TETE**

**LIC is synonymous with life insurance. How will you analyse its growth over the years?**  
LIC has been in existence for the past 56 years and the journey though not easy, has definitely been interesting. Over the years, our premise has been to stay connected with the grassroots, to be close to the customer

completely in-house and today all our outlets are interconnected. So, our journey has been very fruitful and the customers who have been with us over the years will have something similar to say. This is evident from the fact that over the last few years, LIC has gained on its market share – it is a

customer will not like to come to our office and buy a product. We need to give him something at his convenience. So, we are having more products online and may have more such interventions in the future, so that we stay connected with them.

**What would you name as the product of the future?**  
Pension products definitely. Given the high cost of living, medical treatment, the movement towards nuclear families - all this means that people need retirement planning. We are even planning to position a pension product for the younger generation.

**How is the ubiquitous LIC agent dealing with this new development?**

We have been continuously working on upgrading their skills. It is an issue but we have been working to resolve it. We have 600-odd training centres where we equip our agents to be updated on the latest trends. I'm sure that is working because it is being reflected in the income levels of the agents. However, since the number is huge and the market is changing so fast, we need to do this in an aggressive manner.

**How challenging is online insurance for LIC given that private players are touting that as the best way to buy insurance?**

We are working on it. There is a huge scope for insurance in this country. Today, people have investible surplus, and my priority is to bring insurance as one of the top five priorities of the customer. Currently, it isn't. Market penetration of the industry is still very low, you know – insurance premium contributes only 4.5 per cent of the GDP. That's because the market has not matured yet. Insurance is still seen as an expense in many markets. But in India, it is seen as savings and contributes to a customer's life cycle.

**But there is a strong move to push term insurance...**

Yes, I'm aware there are opinions saying that people should be given minimum insurance so that the money saved on premium can be invested in other instruments. What they don't factor in is the cost of insurance. Any other form of return will depend on various factors like market movements, interest rates, etc. But if you put your money in an insurance product, it is insulated against any other kind of market movement. That's because I'm factoring in the cost of insurance, the risk that I am taking for them. That is what people should realize. Nevertheless, it is good that awareness has increased in the market today.

**What do you expect from the budget?**

We are definitely expecting some more support in terms of tax rebate. Today, we see a lot of thrust on infrastructure development and there are two areas that lend it support – insurance and provident fund. If you see the tax rebate structure in Section 80CCC, there are so many insurance products huddled in there in the Rs 1 lakh tax rebate bucket as compared to earlier when there were only a few insurance items. We have suggested that insurance and pension products be treated separately.

**LIC has often bailed out the government especially on disinvestments issues...**

*(Laughs)* We have not bailed out anybody. Whenever we have invested, it has been based on our own intelligent reports and due diligence. Somebody will definitely benefit from our investment, but we are not doing it with the intention of bailing out anybody.

**LIC has made huge strides in the rural sector. Could you elaborate?**

The contribution of our rural business is 30 per cent which is a very unique for an organisation of our size. LIC has plans to shake hands with the Postal Department of India which is planning to create its own space in banking and insurance. With this move, we are a step ahead in our Vision 2020 whereby we wish to see each Indian having at least one LIC Policy.

**What does this vision entail?**

Vision 'An LIC Policy in Every Pocket by 2020' is aimed at reaching out to every Indian with three protections – health, insurance and annuity – while setting a time frame for achieving it. The journey towards Vision 2020 is a relay race - the baton would get passed on as years change but the run must continue till the goal of 'a policy in every pocket' is achieved.

## With an eye on VISION 2020

D K Mehrotra used to play the keyboard in his younger days, but now, the responsibility of heading the behemoth, Life Insurance Corporation of India (LIC) as its chairman, keeps him busy from pursuing his passion. But he finds time to read, not only books but also people's minds, and that has helped him guide his company to dominate the market with a 72 per cent market share. He spoke to R Sridhar on the changing trends in the insurance sector

and give him a product and service mix from within the resources we have. Towards this purpose we have come out with various interventions in terms of IT, products and services and I feel proud to say that LIC is the leader in the initiatives it has introduced in terms of product innovation or customer servicing. We have settled nearly 1.8 crore claims amounting to Rs 66,022 crore! Our outstandings are at the lowest today considering the volumes at which we work. Moreover, our IT capabilities have been developed

rarity to see a PSU gain back its market share from the private players after the markets opened up. This shows the trust the customer has on us.

**Is it true that your focus now is on attracting the youth towards your insurance products?**

We would like to target all segments of our audience and not deprive anyone of our products. But we definitely are targeting the younger generation because today maximum wealth generation happens there. Given the fast pace of life they live today, insurance is very important for them, not necessarily in terms of risk cover but in terms of savings. And we offer both savings and risk coverage products. We know that today a young cus-



Our biggest strength is the trust of our employees and the commitment of our employees and intermediaries

**D K MEHROTRA**  
Chairman, Life Insurance Corporation of India

## LIC: A PLACE IN EVERYONE'S LIFE

A Correspondent

The word LIC has been synonymous with insurance in India for a long time now. Ever since its inception in 1956 Life Insurance Corporation of India (LIC) has not just been insuring lives as the country's largest life insurance company but has also been creating wealth for the masses as the country's largest investor.

**TEAM LIC MARCHING AHEAD**

LIC today affects the lives of almost every Indian directly or indirectly on the back of its most formidable distribution network among all insurance companies in the country. LIC with the work force of 1.2 lakhs and an agency force of 12.78 lakhs with other intermediaries services about **30 crore of policies**. Today LIC functions with 2048 fully computerized branch offices, 113 divisional offices, 8 zonal offices, 1202 satellite offices and the corporate office. LIC's Wide Area Network covers 113 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities.

**A POLICY FOR EVERY NEED**

The range of products offered by LIC is unmatched in the industry too – both in terms of number as well as the range. From retirement plans to take care of your needs after retirement to schemes that help you cater to the financial needs of your child, LIC has solutions for every need of a policyholder.

**THE SOCIAL GOOD**

Apart from providing individuals and corporations with a mechanism for transferring their risks, LIC provides a means for mobilising long-term savings and investing them prudently. Over the last several decades LIC has been implementing state social insurance programmes, especially in the areas of pension and disability. LIC offers group policies to various groups such as employer-employee, cooperatives, weaker sections of society, etc and insurance coverage to people below poverty line at subsidised rates under social security group schemes and has been managing AABM for rural landless households. Another scheme namely JBY is implemented for BPL or for people marginally above BPL. Each of the above schemes have scholarship benefits to the children of the member of the scheme.

**LIC GOLDEN JUBILEE FOUNDATION**

This was established in 2006 as



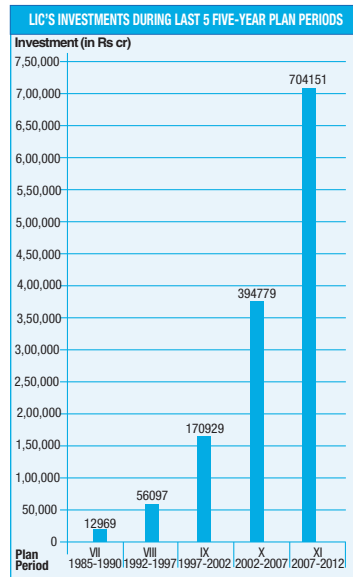
ies for children from economically weaker sections of society through

**PERFORMANCE HIGHLIGHTS**

New Business During the year 2011-12		
	Composite	
	Policies	First Year Premium Income (in Rs crore)
Composite	3,57,51,000	81,514.49
Market Share	80.90%	71.36%
Other Parameters 01-04-2011 to 31-03-2012 (Rs Cr)		
Total Income	2,87,315.38	
Total Premium Income	2,02,802.90	
Total Policy Payments	1,18,733.76	
Total Life Fund	12,83,990.72	
Total Assets	14,17,891.79	

**PEOPLE'S MONEY FOR PEOPLE'S WELFARE**

INVESTMENT IN INFRASTRUCTURE, GOVT. & SOCIAL SECTOR (Rs Cr)			
As on	31.03.10	31.03.11	31.03.12
<b>Type of Investment</b>			
1. Central Government Securities	3,60,319	4,07,934	4,41,760
2. State Government & Other Govt. Guaranteed Marketable Securities	1,41,292	1,76,213	2,13,913
<b>Sub-Total (A)</b>	<b>5,01,611</b>	<b>5,84,147</b>	<b>6,55,673</b>
3. Housing & Infrastructure Investment			
(a) Housing	40,232	43,297	41,067
(b) Power	77,585	80,165	86,880
(c) Irrigation/ Water Supply & Sewerage	5,241	4,265	3,774
(d) Road, Port & Bridges, Railways	8,066	9,819	10,494
(e) Others (Incl. Telecom.)	17,073	27,457	21,947
<b>Sub-Total (B)</b>	<b>1,48,197</b>	<b>1,65,003</b>	<b>1,64,162</b>
<b>Total A+B</b>	<b>6,49,808</b>	<b>7,49,150</b>	<b>8,19,835</b>



KEM Hospital, Pune. Apart from this, the LIC Golden Jubilee Scholarship Scheme is an excellent CSR initiative where scholarships of Rs 10000 each per annum are awarded to meritorious students across the country belonging to economically weaker sections of society.

**BUSINESS INITIATIVES**

While taking care of its social responsibilities, LIC has also kept a keen eye on the market to seize opportunities to grow its business.

- **Product development:** LIC continues to launch innovative products to address the needs of different segments of the society.
- **Training:** LIC conducts regular workshops and training modules for its office staff and field staff both internally and also in association with reputed names in the industry.

## Product innovations drive business

S Mayura

Life insurance business is the backbone of Indian financial system. Along with state owned behemoth – Life Insurance Corporation of India, 24 life insurance companies jostle for a share in this lucrative business. The life insurance business was opened for private competition in 2000. Between FY2010-12, new business premium went down at 4 per cent CAGR after new regulations for units linked products and pension products came into picture. However JM Financial, in its recent report, expects new business premium to witness stable growth of 15 per cent over a period of two years (FY13-15).

With the entry of the private sector life insurance companies, the customers saw many changes in the market. LIC, which had a wide range of products on offer, repositioned some of its products to meet competition.

ucts has come down to 40 per cent only. As non-linked products make a meaningful component of the insurance product portfolio, the life insurance companies can expect less volatility in their business.

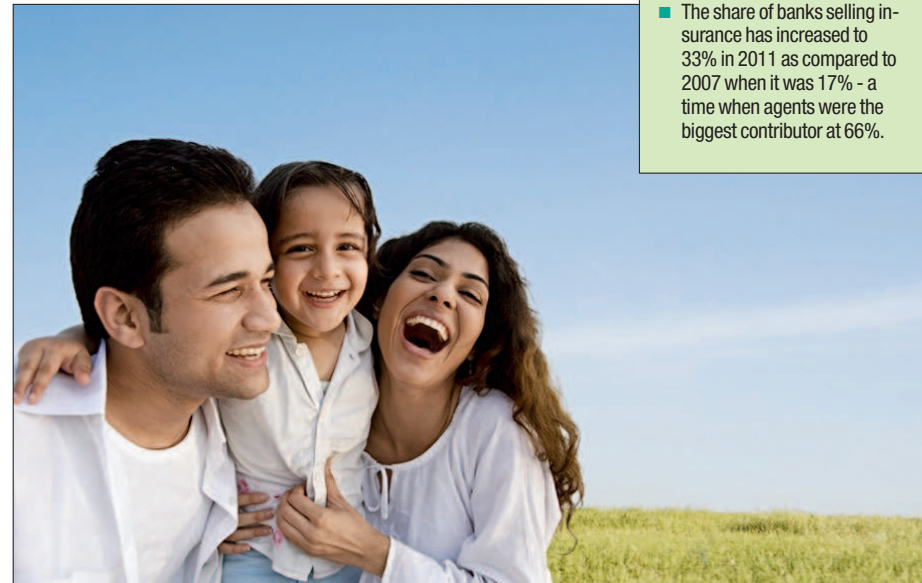
Agency force – man on street model – has been the time tested model in India for distribution of life insurance. However experts look at Bancassurance channel and online channel as the driving factors for the potential growth in this business hereon. Banks have been a good distribution channel for most life insurance companies and this has resulted into higher return on equity for the life insurance companies with captive banks. Experts estimate that approximately 1 per cent of the new business premium is earned through online channel. Though the contribution of this channel as of now is miniscule, life insurance companies are investing into their websites and online marketing due to the low cost

are expected to benefit in the long run. The companies too have welcomed this change and have aligned their businesses in the new regulatory environment.

For the time being, there are skeptics pointing out the exit of New York Life Insurance and Ing Life from their Indian ventures, industry observers point out to the fact that the Indian companies have not suffered on the operational front and are expected to continue with their business. Next trigger in the insurance business will come in the form of an increase in foreign direct in-

**FACTFILE**

- Life insurance industry's market penetration stood at 1.8% in 2001, touched a peak of 4.4% in 2008 and 2010, and now stands at 3.5%
- Comparatively, Taiwan's insurance industry's market penetration stood at 15.5% and Hong Kong at 10%. China is below India at 2.5%.
- The share of banks selling insurance has increased to 33% in 2011 as compared to 2007 when it was 17% - a time when agents were the biggest contributor at 66%.



The structural bull run from 2003 to 2007 in Indian stock markets encouraged more life insurance companies to come out with market linked products. However, after the fall in 2008, markets took around five years to go near the peak investors saw in 2007. Naturally the buyer preferences changed and life insurance companies too have reciprocated by bringing in new products on traditional non-market linked platform. Market linked products had 90% of the market share of new business premium for FY08, however the scenario has changed. In FY12, the share of market linked prod-

ucts involved in distribution of the products.

Online distribution channel has emerged as the new genre of product innovation, wherein companies are aggressively coming out with new products. Companies too have invested in their websites, operations and customer services to engage more customers effectively on their websites.

The regulators too has taken a stand on various issues pertaining to insurance buyers. With directives to focus more on insurance, cap on expenses and commissions and clear communication to policyholders, the customers

vestment limit in insurance business from 26 per cent to 49 per cent. The recent run up in stock market has made it clear for the policyholder that in the long run, market linked products are expected to reward the policyholders. Also expectation of some tax-soaps to promote pension products may come from Ministry of Finance which in turn will benefit both the pension buyers and life insurance companies. Life insurance business is surely at an inflexion point as the stakeholders – regulators and insurers – come together to work in the interest of the policyholder.