LIFE INSURANCE INDUSTRY IN INDIA

The Indian insurance industry has a long-drawn history, the significant era beginning from the amalgamation of 107 insurers into two major state insurers, Life Insurance Corporation (LIC) & General Insurance Corporation. It was not until the late 90s that the insurance sector welcomed private players, breaking years of monopoly that LIC held.

Today, the life insurance industry is growing at a rate of 14% rate (YoY, Aug 19 vs Aug 18) and is dominated by LIC. The top three private players – ICICI Prudential Life, HDFC Life and SBI Life are in a very close battle with each other for gaining consumer and market trust.

The private players are trying to grow their market share by being innovative and staying relevant to the consumers through selling products on the digital medium, launching bite-size insurance to a host of adjacent products like pension schemes etc., and innovating with distribution. Besides the traditional offerings of savings plans, private players are now focusing on protection plans. This is where pure term plans come into play.

For the purpose of this case study we will now focus on Protection plans.

ABOUT ICICI PRUDENTIAL LIFE

ICICI Prudential Life insurance began its operations in 2001. In these 18 years of existence, it continues to be amongst the top 3 private players in the country. It is inarguably one of the most innovative Indian life insurers in terms of customer service and products. This is reflected in the industry recognition received and the plethora of awards won by the company over the years.

The company has been a pioneer in multichannel distribution and also the driving force behind changing the distribution landscape of the country. It has one of the most extensive distribution and service networks in the industry. ICICI Prudential Life offers long-term savings and protection products to meet different life stage requirements of the customers. Various initiatives have been implemented to provide cost-effective products, superior quality services, consistent fund performance and hassle-free claim settlements.

While unit linked insurance products have been the largest segment amongst the product mix, protection plans are gaining ground as well.

<table>
<thead>
<tr>
<th>Segments</th>
<th>Mix</th>
<th>FY 2019</th>
<th>Q1- FY 2020</th>
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</thead>
<tbody>
<tr>
<td>Savings</td>
<td></td>
<td>90.7%</td>
<td>85.4%</td>
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<tr>
<td>Protection</td>
<td></td>
<td>9.3%</td>
<td>14.6%</td>
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*Source: Business Presentation Q1 FY 2020*

PROTECTION PRODUCTS

A protection plan is an income replacement plan to financially protect the family’s future in case of an unforeseen event. It is a plan that provides a large sum of money called sum assured, in the most critical time of need, for a very small amount called premium. A particular amount of money (premium) is paid regularly (E.g. monthly or yearly) for a specific number of years (policy term) and the cover amount(sum assured) is paid out if anything unforeseen happens during the policy term. If the policyholder outlives the policy term, there is no money paid out to him.
ICICI Prudential Life has one such award winning plan in this category: ICICI Pru iProtect Smart. This term plan comes with a dual benefit which offers protection for the family and a critical illness cover for the policyholder. (Critical illness is defined as the likelihood of an illness which can threaten the life and has a major impact on finances. For e.g.: if one is diagnosed with cancer, the expenses can go up to Rs.10-15 lakh) The term life cover secures the family’s future in case of an untimely demise of the policyholder while the critical illness cover secures the policyholder on the diagnosis of critical illnesses like cancer and heart diseases.

ICICI Pru iProtect Smart plan, since its launch, has become ICICI Prudential Life’s top selling plan.

The plan comes with various add-on benefits like accidental death cover, permanent disability benefit, and accelerated terminal illness benefit in addition to the 34 critical illness benefits.

- Accidental death cover: In case of death due to an accident, the nominee receives a lump sum amount called the Accident Cover
- Permanent disability benefit: The company will pay all future premiums, if the policyholder is diagnosed with permanent disability
- Accelerated terminal illness: The nominee receives 100% cash payout of the total life cover amount if the policyholder is diagnosed with terminal illness
- Critical illness: The critical illness cover provides a cover against 34 critical illnesses
  - The critical illness cover is paid immediately on detection of any of the illnesses without any medical bills (only diagnosis report required).

The interesting features of this plan are

- Life cover up to the age of 99 years
- Customers have a choice in the way their family will receive the payout money (Lump sum/Regular income/Increasing income/Combination of lump sum and regular income)
- Tax benefits up to Rs. 54,600 u/s 80C & 80D.
- There is an option to increase life cover at key life stages such as marriage and childbirth

**THE INDIAN CONTEXT**

India is one of the fastest growing economies in the world. And with the rising affluence of the Indian families, upgrading life constantly for family and self is the new normal. People are constantly seeking new opportunities to grow and enhance their lifestyle and live a good quality life.

In the process of which, they accumulate loans and liabilities. The priority is given to spending money over savings, loss of income over loss of life and therefore to provide versus to protect.

In this the consumers and their families get exposed to a variety of risks like financial risks, business risks, job insecurity, health risk and various other macroeconomic risk.

Despite these risks, India is the **second most underinsured country in the world**.

Not only is the penetration of protection products low, but also the quantum of the insurance is low. For every Rs. 100 insurance cover required, currently an individual is insured only for Rs. 8, thus creating a protection gap of Rs. 92.

Indian families aren’t sufficiently equipped to deal with financial liabilities in case something happens to the chief bread winner.
The most common reasons for penetration of protection products to be low are:

1. The lack of a burning need: ‘Jaldi kya hai!’ attitude
2. Product has a lot of negative emotions as it’s around the death of a person
3. ROI mindset (Mujhe kya milega?) which puts protection products at the bottom in the investment list
4. Consumer is unsure of where the product fits: safe/smart investment
5. Ambiguity around how much insurance cover is required
6. People tend to be optimistic about the future and do not account for the possibility of an untimely risk
7. In the current generation of consumers, the cultural shift is living in the present and not planning adequately for the family in case of an unforeseen event

Let’s understand this through an example:

Person A – who has taken a term insurance and Person B – who has not taken a term insurance.

Person A is a 32 year-old marketing consultant named Abhay. He has availed a loan for buying a house. Realising the need for protection in his fast-paced life, Abhay wants to be well prepared for unforeseen circumstances in life. ICICI Pru iProtect Smart provides the perfect solution for his needs. Abhay takes ICICI Pru iProtect Smart with a base cover of `1 Crore and a Critical Illness Benefit of `25 lakh with a 30 year policy term. He pays an annual premium of `16,568. At 40, Abhay is diagnosed with Prostate cancer. `25 lakh is paid as a lump sum amount upfront. At 52, on Abhay’s unfortunate death, his nominee gets lump sum death benefit of `75 lakh and the policy terminates.

Person B who is not insured with a term plan will not avail any benefit in case of any unforeseen event.

This is where a term plan is uniquely placed in an individual’s life vis-à-vis other financial products.

WHO IS A TYPICAL BUYER?
The triggers of purchase for this buyer begins with some major life events like first job, marriage, birth of child or when there are increased liabilities due to purchase of car, house or other assets.

While researching for an insurance plan, the buyer depends on multiple sources of information –

- Provider’s website
- Insurance comparison sites like Policybazaar.com, coverfox.com
- Blogs of financial planners, insurance experts etc.
- Insurance provider/ Branch official
- WOM / referrals from friends, colleagues, relatives etc.

At the final purchase stage, the following factors determine the decision:

- Premium amount
- Brand
- Claim settlement ratio
- Convenience
- Accessibility
- Service quality

LET'S UNDERSTAND SOME OF THE CUSTOMER'S BEHAVIOUR

- Delay in purchase - Customers take too much time in deciding to buy before making the actual purchase. 60% of interested online prospects of the company take at least 20-25 days to purchase the product
- Recommendations by financial experts – Majority of the customers are highly influenced by the recommendations given by the industry experts while deciding their policy benefits. Although the recommendations are designed to enhance value provided to the customers, they might not address each and every person’s needs individually
- The sum assured is more supply driven rather than the actual need to the customers. (Most of the customers have a policy amount of Rs. 1 crore imprinted in their minds. This is due to various communication seen online and offline done by companies and aggregators. Hence
they usually buy the policy for Rs. 1 crore. The customers are not able to assess their own need)

- The company’s blog page plays an important role in creating awareness. Most of the current customers, visit the blog page before purchasing the product
- Most customers are also influenced by the recommendations shared by their friends and family
- The customers research about a product but do not buy it.
- The majority of the consumers buying the products are male
- The women customer will always consult a male member in their family/ circle before making the purchase
- Trust plays an important factor while purchasing the plan. Customers having an existing relationship with a financial entity (E.g.: their bank) have a greater tendency to make a purchase through them.

ICICI PRU’S MARKETING INITIATIVES IN THE PROTECTION SPACE

Given the fact that “term plans” aren’t something customers are looking forward to buying and with most of the competition focusing on this product, ICICI Pru undertook a comprehensive multi-pronged approach to garner consumer consideration and share of wallet.

Some of the key initiatives which they undertook include

- **Mission Insure India:**
  - A joint initiative between ICICI Prudential Life Insurance and CNBC-/TV18 to highlight the importance of life insurance
  - Eminent panelists across the industry are called to discuss the various aspects and importance of life insurance

- **Protection Day:**
  - May 15th is celebrated as International Day of Families. Hence, the 15th of every month is celebrated as ‘Protection Day’.
  - This initiative was launched to create a sticky property that acts as a reminder for consumers to protect their families

- **Blogger/influencer activity:**
  - Bloggers/influencers are chosen basis the affinities the TGs interact with. They highlight the importance of protection and various features it offers
  - Helps increase WOM through the influencer’s reach

- **Feature-led brand campaigns:**
  - “Buy Online Campaign” highlighted the convenience of buying insurance online and various benefits of ICICI Prudential Life’s term plans
  - “ICICI Pru iProtect Smart – covering the key benefits of 34 critical illness cover plus term life cover and various other key features

- **Brand Campaigns:**
  - Life stage based brand communications

- **Tapping Quora – the Q&A platform:**
  - Platform used to answer queries around life insurance
Objective was to educate customers on need of protection and creating preference for ICICI PRU brands and products

- "Always On" approach: Continuously communicating the key-product benefits on social media platforms

As buyers spend a bulk of their time in researching for insurance products online, ICICI Pru Life undertook proactive measures to simplify and make the consumer buying journey hassle-free.

- Prospects were driven to www.iciciprulife.com through targeted campaigns.
- Website designed to be adaptive for all screens, with a mobile-first focus
- Prospects with purchase intent can self-generate their quote
- Digital follow-ups through personalized and contextual reminders
- Assistance provided through call center for resolving queries and facilitating purchase

THE COMMUNICATION CHALLENGE (TERM INSURANCE)

While a consumer mindset block already exists that hinders category growth, a communication clutter also exists within the category that leaves the consumer confused and leads him/her to postpone the purchase.

- Multiple brands with undifferentiated messaging, make the consumers indifferent to the category.
- Communication highlight the unpredictability of life but do not explain the real value of having a term insurance.
- Adding on to the problem, the aggregator and comparison sites make these brands look like a commodity.

Me-too communication and easy to replicate me-too products have, in a way, “commoditized” the category. Most of the leading players leverage on trust, their claims policy (fast & hassle free) in order to create a differentiation for themselves in the market.

ICICI Pru Life Insurance would like to create a unique differentiation which manifests into a powerful “why buy me?” that helps them sustain their leadership position in the term insurance segment.
In the face of these challenges ICICI Pru Life Insurance would like to achieve a 5x growth by increasing its customer base, increasing its differentiation and increasing the share of new business premium.

THE CHALLENGES FOR THE BRAND TO OVERCOME

How to increase the penetration of protection business through acquisition of new consumers?

- How to make the product proposition simpler for customers to understand?
- Currently, the conversion rate is 3-4% of all the online leads generated overall from all the sources.
  - How can we increase this conversion rate? What is the missing link between researching the product and eventually buying it?
- Online, there is a lot of content that is being created but consuming the same becomes cumbersome for the customers.
  - How can this be addressed?
- It is observed that tangible online shopping is backed by visuals vs. intangible online shopping (insurance) is content driven.
  - How do we design product communication to make it visually more exciting and clarifying the features?
- How can the benefits of the term insurance plans be made more tangible?
- There is a fear that the life insurer will not pay the claim to my family. The top big companies have a turnaround time averaging more than 97% to settle the claims.
  - How can we communicate it in an interesting and impactful manner to build the trust factor?

How can ICICI Prudential Life further differentiate itself from other brands?

How to reduce the conversion time? The time taken to make the purchase decision

Note: The Company does not allow any promotions or discounts.

METHODOLOGY TO BE FOLLOWED:

Weightage will be given to adequate rigor employed in the case. Expert interviews, depth interviews & focus groups are some of the tools that can be employed to derive consumer insights and thus, to propose the right positioning & differentiation for the brand.

RULES & REGULATIONS:

1. Participating teams should comprise of only three members
2. Only one entry per institute will be considered

Two stages of this event:

Stage I: Process and rules for submission of the written case:

1. FCB India Comstrat is a contest for Communication Strategy; hence students are requested to focus on the same.
2. Creative renditions are not necessary and will not be judged.
3. A detailed Media plan is also not required and will not be judged.
4. A synopsis of the case solution should be submitted as a word document in a minimum font size of 11 points and single line spacing. The document should not exceed 15 pages.
5. A written case solution on the case should be submitted through email to comstrat@fcbulka.com.
6. The last date for receipt of the written submission is 1st November 2019.
7. A shortlist of 6 teams shall be arrived at by evaluating the case solutions received.
8. The shortlist shall be declared on 11th November 2019 and posted on the website www.fcbindiacomstrat.com and communicated to K. J. Somaiya Institute of Management Studies and Research

Please remember:
1. Synopsis to be submitted as word document only
2. Font size should be minimum 11
3. The document should not exceed 15 pages
4. The document should have single line spacing

Stage II: Final power point presentation of the case:
1. Shortlisted teams are requested to reach the venue on 11th December 2019, at 10:30 am sharp for the set-up and dry run.
2. Please get your power point presentations on a Pen drive, rest of the equipment shall be provided at the venue.
3. The time limit for each presentation is 20 minutes and the students are requested to strictly adhere to the time-limit. A warning bell will ring after 15 minutes.
4. At the end of 20 minutes the team will be asked to stop the presentation.
5. Students are requested not to indicate their institute’s name on the slides or anytime during the presentation.
6. Stay and travel arrangements have to be made by the participants themselves.
7. Comstrat is a contest for Communication Strategy; hence students are requested to focus on the same.
8. In the case presentation, creative renditions are not necessary and will not be judged.
9. Media plan for the same is also not required and will not be judged.
10. The solution must have only one approach and not multiple options.

Key Dates to remember:

a. Last date for written submission 1st November 2019
b. Shortlist of 6 teams for power point presentation 11th November 2019
c. Final Presentation 11th December 2019