

Branding & Funding Strategy of ICICI Prudential Life Insurance Company

Dr. Jyoti ¹, Krishna Aggarwal²

ABSTRACT

This paper presents the branding & funding strategy of one of the growing companies of the insurance sector of India – ICICI PRUDENTIAL LIFE INSURANCE COMPANY. The paper includes information and study from various sources to bring best analysis of policies adopted by the company to get desired results. As insurance is becoming an essential financial product nowadays, lot of insurance companies coming to battlefield in the competition of the market and due to this, every company has to put something extra in their services and financial products provided by them to get an edge over others which can be achieved by creating strong branding and investing in High yield generating and safe investments hand in hand. And in this paper, we covered detailed interpretation and quantitative analysis of decisions taken by the management of ICICI PRUDENTIAL LIFE INSURANCE COMPANY to beat the competition and to provide best to their customers.

Keywords: Insurance, Investment analysis, Marketing strategies, quantitative analysis

INTRODUCTION

Let's first get familiar with the company overview and understand the characteristics of the company. It was founded by **Narayanan Srinivasa Kannan** in year 2000 and the company started its operations in Year 2001. ICICI PRUDENTIAL LIFE INSURANCE COMPANY LIMITED is promoted by ICICI BANK LIMITED (INDIAN) & PRUDENTIAL HOLDINGS CORPORATION LIMITED (BRITISH EST. ENTITY). It was the first insurance company to get listed on stock exchanges NSE & BSE in year 2016. The company focuses on core philosophy of customer-centricity, they offer long term savings and life protection financial assistance products with different age requirements to their customers of different ages. Asset under management (AUM) of the company stood at **Rs2404.92 Billion** at the end of March 2022. In 2008, Company became successful in selling over more than 5 million policies and in 2010, company also set up its subsidiary to manage pension related funds. The company settled Claims worth **Rs 312.37 Billion** at the end of March 2022.

OBJECTIVES OF THE STUDY

- To analyse the strategies used by company for growth in terms of branding & funding

- To understand the market competition along with quantitative analysis.

ANALYSIS AND INTERPRETATION

BRANDING STRATEGIES

ICICI PRUDENTIAL LIFE INSURANCE Mostly Win the Major Market In Insurance Sector, Through The Advertisements Through Various Platforms. Even After Winning Major Market Portion, They Still Spend 0.5% To 0.75% Of Their Business Premium for Advertisements.

- T.V. CAMPAIGN- ICICI Prudential Life Insurance Uses TV Advertisements as Their Greatest Asset with the Help of Short Films, Which Strikes Directly to Customer's Hearts and Minds. However, There Were Many Short Films Which They Had Uploaded but One of Them Is Titled "SAAT PHERE" Which Brings Immense No. Of Customers to Their Doorstep. Around 10-12 Lakh Customers Is the Number Which ICICI Prudential Life Insurance Gained Through This Short Film.
- Use of Press - ICICI Prudential Uses Press as A Medium to Break Myths or Fear of General Public to Invest in Insurance Sector with The Help Of Awareness Programme, Which Helps Them In A Way To Increase Their Number Of Customers In Indian Market.
- Use of Tech-They Also Use Modern Tech to Promote Their Insurance Cover. They Had Launched Various Apps of ICICI Group to Increase Ease of Business and Digital Literacy Among Users. They Also Launched These Apps to Attract New Customers And Also To Provide Incentives To Existing Ones. For Example, in November 2020, They Launched ICICI Pru I protect Smart and, in More Depth, They Also Launched ICICI Pru Smart Kid App, which is Basically Product Specific App Which Encourages Parents to Buy Insurance Cover Also for Their Kids or Children to increase the market consumers and convert whole family as their consumer.

USP & CONSUMER GAINING STRATEGIES

- VALUES - Their core values are Customer First, Humility, Passion, Integrity, and Boundary-lessness. Values guide their actions and define the way we work. They encourage all our colleagues to exemplify and role model the Values.

- Corporate Social Responsibility - The Company's CSR activities are primarily focused in the areas of education, health, skill development and sustainable livelihood, financial inclusion, capacity building for CSR and other activities as the Company may choose to support in fulfilling its CSR objectives. The Company supports programs and initiatives keeping "protection" as the core proposition and cornerstone of all its CSR initiatives since "protection" is core to the Company's business.
- Claim Settlement Ratio in FY 2017-18 is 97.88%
- One Day Life Claim Settlement Facility Assurance of Growth+security
- All In One Term Plan Which Was Their Biggest Move In This Pandemic Era Of COVID-19 Where They Provide LIFE COVER+34 CRITICAL DISEASES COVER+TAX-FREE CLAIM.

FUNDING STRATEGIES (SOURCES OF INCOME)

We All Know That Insurance Companies Collect Premium on Annually Or Semi-annually Basis (According To Policy Terms) And In Return, They Provide Claim Facility Whenever There Is Need Like In Medical Requirements, At The Time Of Death Of Policyholder, At Maturity Of Term, E.T.C But Here The Point To Be Notice Is That How These Companies Earn While Holding These Premium Amounts.

So, Basically, They Invest This Amount In Different Types Of Asset Creation Investments And The Profit Of These Investments Depends Upon The Way Of Investment Through Company. Smarter The Investments, Higher Will Be the Profit. So, ICICI Prudential Life Insurance Become So Great Because Of Their Smart Way of Investments where they achieve to earn around **27 billion**. Here Are Their Asset Allocation of Investments.

LONG TERM INVESTMENT CLASSIFICATION ANALYSIS

Company's investments portfolio manager used a balanced strategy to safeguard themselves by reducing volatility along with generating high returns. As we can see above, company diversified its portfolio to great extent by investing premiums in variety of investment asset classes which includes both equity & debt instruments. Company parked its major part (49%) of their total investments in govt. securities and govt. issued bonds/treasury bills and debentures/bonds which provide them a fixed return on their principal amount with sure shot no risk as we all know, there is almost no chances where govt. can default. They also invest in risk instruments as around 8% of their investments in equity variables which is volatile in nature and perform according to the market performance to get high return generating assets in their portfolio. Company also takes advantage of fixed deposits in their portfolio to get secured returns. Company also invest in infrastructure projects with the medium of equity shares and debentures and bonds to up graph their capital formation and also to avoid blockage of funds and as we all know, INDIA

is fast growing nation in terms of infrastructure and in long term, there is very minimal chances that infrastructure investments would give negative returns.

By keeping an eye on all this above analysis, we can conclude that company is enjoying great returns with secured portfolio which leads to availability of instant cash flow in long term and this ultimately leads to claim settlement in easy position as their claim settlement ratio stood at **97.8%**, which in return bring persistency & goodwill to the company leads to expansion of consumer base, which can be identified by Value of new business (VNB) of the business which stood at **Rs 21.63 billion** at the end of March 2022, leads to business growth.

SHORT TERM INVESTMENT CLASSIFICATION ANALYSIS

As we all know, short term investment instruments are generally for the period up to 1 year maturity and they are directly related with the liquidity and cash flow in hand. And in case above, we can clearly see the whole secured portfolio for short run where they include all debt related instruments like debentures and bonds, even the infrastructure project related investments are in medium of debentures and bonds of project specific entity. They also include fixed deposits in short term investments to bring stability and non-volatility as these instruments move irrespective of the market performance. A major part of the short run investments parked in triparty repo where company act as a middleman agent for correlation activities between two parties and bring profit in return to company. Company also involved set of mutual funds in their portfolio to bring profits out of their investments without timing the market performance.

And all these strategic investments lead to bring **205% solvency ratio** at the end of March 2022, which is a tremendous performance after being in such a competitive market of mixed economy.

Results of Their Power Branding and strategic investing

- Being No.1 in Awareness & Saliency.
- Becoming 2nd In Insurance Sector, Next Only To Lic.
- ICICI Prudential Life Insurance Have 86% Brand Recalling Today.
- Around 11% Of New Investors Have Icici Pru On Top Of Their Mind.
- Indy's Award for Excellence in Mass Communication in Matter of T.v. Advertisements.

Challenges/Barriers for the company to achieve growth

DIFFICULT TO REACH RURAL POPULATION

India's major part of population resides in rural areas of the country and it's really difficult for the company to expand or reach to rural natives for sale of the life insurance policy because of several reasons which majorly includes:

1. Income per head in rural areas as average per head income of a rural person is around Rs40, 925 annually, which is relatively very low when compared to urban

persons per head income and this is the major reason, why rural persons resist themselves to buy a life insurance policy as they are in not a financial position to pay premiums on regular intervals. This is why only 8-10% of rural people have life insurance policy in their trunks.

2. Mentality or mind-set as large no. of rural population lack basic financial literacy and because of this they just earn and consume their hard earned money in an un-planned manner and if there were any savings, they just deposit it in bank accounts rather than having a secured future for their dependents with a policy of life insurance. So, it's very difficult for the company to break this myth and sell policies to the rural people.
3. Professional assistance as there is lack of financial literacy strong graduates or professional workers in rural areas, which lead to lack of guidance and mental assistance to rural residents making them stand not so great on financial stage as they were unable to generate or enhance their income and secure their future with the use of financial instruments like life insurance.

PRICING OF THE PRODUCTS

Pricing plays an important role in this competitive and dynamic business environment and here, pricing of life insurance policies include many dynamic factors. And here life insurance pricing is a difficult process because mortality experience is undergoing a fast change due to changes in seniority, financial markets are getting more complex with the time because of uncertainties, competing alternative products affecting policy termination involving unpredictable increase in expenses, deep scientific research requirement for frequently mortality investigation and scientific research of business cycle and more complex evaluations of interest rates and impact of market fluctuations on market return.

MORTALITY SHOCKS PROTECTING

Risk arising out of these unexpected developments are huge and unpredictable like volcanoes, chemical plants, and epidemics such as HIVs, SARS and AIDs. These killer happenings may destroy the little benefits due to improvement in mortality. These are costly and critical challenges, which need industry level initiatives to get resolved. And ultimately, it's very difficult for the company to evaluate and cover these risk aspects.

KNOWLEDGE MANAGEMENT

Continuous innovation in financial services have been creating an ever growing demand for new skills to suit the organisational requirements in the changing environment. New knowledge make yesterday's knowledge obsolete which creates the problem of learning everyday nowadays, lead to increase in complexity in understanding & fulfilling customers' needs and wants. This needs various management knowledge specialization practices to solve problem and to expand business with today's customers' wants and knowledge expertise.

COMPARISON OF ICICI PRUDENTIAL LIFE INSURANCE COMPANY WITH OTHER INSURANCE MARKET PLAYERS. (AT THE END OF MARCH 2022)

Here is the comparative fundamental analysis between 4 major players of the market - ICICI Prudential life insurance Company, LIC, HDFC Life Insurance Company and SBI Life Insurance Company based on some specific and important ratios.

- Stock P/E – It is the price to earnings ratio of a stock or share of the Company, as we can see the comparison above, LIC is top ranker in this list as they are having maximum 103.55 stock p/e, followed by HDFC (98.3) and then the ICICI prudential life insurance company (93.4)
- Dividend yield - The dividend yield is a financial ratio that tells you the percentage of a company's share price that it pays out in dividends each year. In the above comparison, ICICI is at rank 1 in this analysis giving 11% as the dividend yield to its shareholders, followed by HDFC (0.30%) & SBI (0.23%)
- Debt to Equity - The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. The D/E ratio is an important metric used in corporate finance. It is directly in relation with the liquidity and liability percentage of the given company. In the above analysis, the competition is only between HDFC & ICICI as the other two are govt. entities. Here the ICICI is having ratio of 0.1, which means company is having a very low percentage of debt obligations but this also means that company is under utilizing the cheaper source of income.
- Return on capital employed - Return on capital employed (ROCE) is a good baseline measure of a company's performance. ROCE is a financial ratio that shows if a company is doing a good job of generating profits from its capital. Companies have various financial resources they use to build and grow their businesses. From the above charts, it is clarified that LIC is in best position among others with giving return of 142%, followed by SBI (15.30%) , HDFC (10.80%) & least given by ICICI life insurance (7.26%)
- Operating profit margin - Operating Profit Margin is a profitability or performance ratio that reflects the percentage of profit a company produces from its operations before subtracting taxes and interest charges. Here the ICICI is drowning in negative margins among all other players, which is not a good sign as it is showing more expenses, even without charging interest & taxes than its revenue.
- Current Ratio - The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. Simply divide the company's current assets by its current liabilities. Here the LIC is having best current ratio (3.39) as it is

obvious because it is a govt. entity, followed by ICICI (0.93), SBI (1.48) & HDFC life insurance Company (0.84).

CONCLUSION

ICICI prudential life insurance company is one of the finest players of the insurance market of INDIA as they have very positive conditions in engaging new business because of their goodwill and product service facilities. Having positive results on the annual reports even in such type of era of pandemic give them an edge over other market players, which also lead investors to be bullish on the company stock. Company uses a strategic, managerial & attacking branding/marketing to connect directly to the sentiments of the heart of targeted audience to convert them into their consumers, provide them an easy and successful position in the market. Company also use or invest accumulated premium (collected by policyholders) in a very certain way to get secured and balanced return, even from such a volatile & competitive market conditions, allow them to having highly liquid and positive cash flow from their investing activities which ultimately helps company to provide hassle free and easy claim settlements which ultimately lead to low grievances rate and high customer satisfaction. Apart from positives, company also have some downsides as they have low debt to equity ratio, which is also a good sign but the company is neglecting cheaper source of income in huge contrast. And company's operating profit margin is also in negative numerical, which is not really a good sign as company is incurring more expenses than its revenue generated.

So, ultimately ICICI prudential life insurance company is a strong entity because of its branding and strategic funding strategies but they can achieve a lot more if they able to remove the problems discussed above and also if they able to remove or win the challenges to insurance companies discussed above, they may have a great future ahead and they can also beat their competitors easily.

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