

A Study of the Changes in HRM Practices in LIC due to the Impact Of Private Insurance Players

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Abstract

The Government made a paradigm shift in the economic policy by adopting the process of Privatization, liberalization, and globalization at the end of the previous decade. The Insurance Regulatory and Development Authority (IRDA) was set up as regulatory body and the private sector was allowed entry both in general and life insurance sector in India. Due to this impact, the private players came up with new and innovative marketing strategies. Due to the efforts of the private players, the benefits which LIC was enjoying due to its monopoly in the market were taken away, and it had to face tough competition to retain its market share. To fight this competition, LIC had to leave its traditional track and bring various changes in its working. It has been widely accepted that the human resources of an organization are the more valuable resource for the success of an organization. The present study throws light on the changes which LIC brought in its HRM policies due to the impact of the private insurance players. The changes brought by LIC in the agent's recruitment, training, performance appraisal system and learning and development activities have been discussed in the present research paper.

Keywords: Human resource management, IRDA, LIC, agents, recruitment, training performance appraisal, Insurance.

Introduction:

Life Insurance Corporation of India (LIC) came into existence on September 1, 1956 after nationalization of all the 245 companies engaged in the life insurance business (Chaudhary&Kiran 2011). The government made a paradigm shift in the economic policy by adopting the process of privatization liberation and globalization. The Insurance Regulatory and Development Authority (IRDA) was established under the IRDA Act, 1999 to regulate the insurance business in the country. As a result, the private sector was allowed to entre in the general and life insurance sector in India.

The life insurance industry expanded from 2000 onwards in terms of number of agents, number of offices , new business policies, premium income and so forth (Rajendran & Natarajan, 2010). Furthermore, many new products (like ULIPs and pension plans) and riders were provided by the life insurers to suit the requirements of various customers. As a result the benefits which LIC was enjoying out of its monopoly in the market were taken away and it had to face tough competition from the private companies. Due to this LIC had to bring changes in its working. The human resources of an organization are more valuable resource for the success of an organization as a whole. To make the

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organization competitive in the market place, it is very important that the employees are more competitive. Keeping this in views, LIC brought about radical changes in its HRM policies to fight the competition after the private players in the insurance market.

Review of Literature:

Which earlier studies on the life insurance sector mainly focused upon LIC , it was only after reforms in this sector that certain studies covering private players have taken place.

Kundu (2003) in an article “What's Next in India's Insurance Market?” discussed the changes in various areas of the insurance industry after the entry of new players. Due to huge population, India still has a low insurance penetration. Today, people are increasingly looking not just at products, but at integrated financials solutions that can offer stability of return along with total protection. Technology will play an important role in aiding design and administration of products as well in efforts to build long customer relationships.

Arora (2002) highlighted that LIC was likely to face tough competition from private insurers having large established network and their trained intermediaries all over India.

Tripathi (2009) in his study to compare the performance of LIC and private life insurance companies. The study was analytical and based on secondary data sources. Comparison between LIC and private insurers was done on the basis of size, growth, productivity, and grievances handling mechanism. The study revealed that private companies are giving a direct competition to LIC, the LIC is a dominating player even after privatization and LIC is having a huge customer base, being an old giant in the insurance sector. He concluded that LIC is the most popular and leading brand, but with aggressive marketing, private companies are giving a tough competition to LIC.

Importance of the study:

For almost four decades, LIC was the sole player, with a virtual monopoly in the life insurance sector. Due to opening up of the insurance industry by the year 2001-02 , the life insurance public sector giant, that is LIC, which never faced competition earlier, had to compete with the private players who boasted of the rich and long term experience of their partners from the developed countries of the world. In order to fight with competition, LIC brought changes in its working. There is a dearth of literature on the critical issues and challenges of life insurance companies in the country. Hence the study attempts to bridge this gap and differs from the earlier studies as the major thrust of the present paper discusses the changes brought in the HRM policies of LIC.

Objectives of the Study:

- I. To analyze the HRM policies of Life Insurance Corporation of India (LIC) before privatization.
- II. To analyze the changes in the HRM policies of Life Insurance Corporation of India (LIC) after privatization.

Research Methodology:

The research design for the present research paper is descriptive research design. Secondary data have been taken for the present study. The relevant and required data were collected from secondary sources such as textbooks, national as well as international journal research papers and websites. The time period taken for the present study is seventeen years that from year 1996-97 to 2012-13. This includes five years pre privatization, and the rest is the post privatization period.

Changes in LIC's Human Resources Management policies:

Agents: The key focus of LIC is on agents, who are the biggest source of business for it. Before nationalization, there were 'agents,' 'special agents,' 'Chief agents,' and so on. The chief agents seemed to be employing people who were later absorbed as employees of LIC. These agents continued to serve LIC. Collection of premium, remitting it to LIC, and issuing the premium receipt to the policy holders was considered as the main role of these agents. They were more of an intermediary tool in premium collection rather than playing a role in marketing activities. After nationalization, LIC was appointing the following types of agents.

Generally appointed agents (usually known as just “agents”- non stipendiary)

Rural career agents (Called as RCAs- stipendiary for the first 3 yrs)

Urban career agents (called as UCAs- stipendiary for the first 3 yrs)

Under the IRDA Regulations 2000, there are only two types of agents that are recruited, who can typically be grouped as retailers and wholesalers:

Eligibility Conditions for Agent's Recruitment: New companies are looking for aware and educated individuals with a marketing flair, an elite group who can be attracted only with a high remuneration and the lure of a glamorous job, all of which may not be possible in this business with its price pressure and the complexities of selling insurance. Unable to attract this segment, they have started easing recruitment conditions as against the stringent norms they had earlier, thereby diluting the process.

“There was no specific eligibility condition, educational or otherwise, for agency recruitment. Nor were there any conditions stipulating the minimum business performance” said Sri. Thiyasgarajan, who was an employee of the erstwhile Prirthvi Insurance Company and later also served LIC after nationalization. From 1972, there were specific eligibility norms laid out (Aadhirai, Panchanathan, & Murugan, 2009). As per the LIC's (Agents) Rules 1972, the eligibility conditions was according to the type of agents. The agents:-

1. Should have completed 18 years of age, but there was no limit on the maximum age.
2. should have passed metric if they reside in a town over 1 lakh population, or should have passed Eight Std, if from a town with less than 1 lakh population. However, the divisional manager of LIC was empowered with the discretion to waive off the educational qualification if the/she was convinced that the candidate had a flair for marketing.
3. The RCA'S (Rural Career Agents): a) Should have completed 21 years of age and not more than 35 years of age, b) Should have passed metric std. C) should hail from a rural area.
4. The UCA's (Urban Career Agents): a) Should have completed 22 years of age and not more than 35 years of age, b) He/She should be a graduate, if hailing from a city with more than 5 lakh population, C) Should have passed 10+2 if they reside in a city with less than 5 Lakh population (Antao, 2010)

After privatization, the regulations laid by IRDA became compulsory for the recruitment of agents. With a view to standardize the process of recruitment of agents, the qualifying conditions for recruitment were also standardized.

The Recruitment Process:

After the IRDA was formed, the regulations came up , and there was a change in LIC's recruitment policy. As per the IRDA Regulations 2000, except banc assurance and other corporate agents, all

agents are identified by the development officers. The candidate then undergoes training for 100 hours, of which 10 hours consists of handson training in branch office functions, and 5 hours of field training imparted by the appointing development officer. This training is conducted by the Agent's Training Centre (ATC) and Divisional Training Centre (DTC) of LIC. Once the candidate clears the pre-recruitment test, by scoring a minimum of 50% marks, the candidate has to appear for an interview conducted by the marketing manager of LIC.

The main sources of recruitment are:

- * Internal promotion and internal introductions (at time describable for morale purposes)
- * University appointment boards
- * Agencies for the unemployed
- * Advertising

Performance Management System:

Before privatization, the performance management system was not good and the traditional methods were used for performance appraisal. Confidential reports would be prepared by the higher level officers, and these were used in case of promotion and other financial or non-financial benefits. Since LIC is a public sector organization hence, this traditional method of performance appraisal has been used unanimously. After privatization, the organization has been building up the performance appraisal system over the past few years, and the following are already in place;

- * Internal Audit
- * Internal Inspection
- * Confidential Report
- * Business Performance for Dos
- * DOPA for class 1 officers
- * KPIs for all officers in the cadres of ADM/DM across all offices of the Corporation.

Conclusion:

The present researchpaper conclude that LIC has made a lot of changes in its human resource management system after privatization. The recruitment of agents which was done at the branch level before privatization, was changed to follow rule and norms laid down by the IRDA regarding the recruitment. These norms are applicable to all the life insurance companies in India. The agents need to qualify an examination and undergo training before starting business. The training of agents before privatization was informal. The development officers trained the agents at the branch level. Post privatization IRDA laid down norms for training of agents. This include pre-recruitment training followed by on the job training given at the branch level. The agents are updated in between with the help of regular training sessions. There is no change in the process of recruitment of LIC employees. The pay scales have been improved to retain the employees.

In the pre-privatization era, the performance management system, which was confined to preparation of a confidential report by higher level officers, was used for promotions and other decisions. After privatization, modern methods of performance appraisal such as internal audit, 360 degree appraisals etc are being used. Prior to privatization, LIC followed a righted HRM pattern, and not much attention was paid to learning and development activities for the employees. After privatization, LIC developed a good HRD program to improve the performance of its employees. The

changes which have been implemented regarding the HRM within the company helped the employees of LIC to become competitive , and LIC is giving a strong fight to the private insurance players to retain its market share.

On the basis of above information. We can say that LIC realized importance of effective HRM policies after privatization and implemented plans and programs to improve the performance of its employees.

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