

# Human Resource Management Practices in the Indian insurance industry with particular reference to LIC

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### **Abstract:**

HR procedures are thought to be useful tools that require employers to invest in, be committed to, and have faith in their workforce. On the other hand, a lack of care and careful people management within a company may indicate a lack of interest in and concern for the welfare of the workforce. The goal of this article is to showcase HRM practices in the Indian insurance industry, with a focus on LIC.

### **Overview:**

A highly dedicated and capable personnel helps the company to succeed in today's fiercely competitive and worldwide market on the basis of technical innovation, product and service quality, and market responsiveness. Not only may highly advanced machinery generate low-cost, high-quality goods and services, but highly motivated workers who exercise self-control and hard labor also contribute to this outcome. People are more important in any company strategy than strategies. In order to obtain a competitive edge, human resource management is an equal partner in the development and execution of the business's strategies.

HR procedures are thought to be useful tools that require employers to invest in, be committed to, and have faith in their workforce. On the other hand, a lack of care and careful people management within a company may indicate a lack of interest in and concern for the welfare of the workforce.

The human resources department plays a crucial role in the strategy development process by providing valuable insights on the company's internal strengths and shortcomings. These insights can significantly impact the feasibility of the firm's strategic alternatives. Several times, an organization's distinct HR competencies have been the main inspiration for developing a strategy. For instance, the IT major Infosys has created distinctive human resource skills that provide the business a competitive edge and allow it to offer clients—both Indian and foreign—quick, high-quality service.

### **Insurance Sector in the Post-Deregulation Era**

In India, insurance policies are usually offered as opposed to purchased. Prior to deregulation, LIC offered life insurance plans as ways to save taxes. The choice to obtain insurance was motivated by a short-term goal of paying a minimal premium in order to lower tax obligations. Endowment and Money-Back Policies, or the savings products, were the two most well-liked offerings from LIC. Prior to liberalization, they controlled nearly 99.9 percent of the premium income and nearly 99.5 percent of the policies sold in the Indian insurance industry. The Indian consumer's mentality is shifting. Indian consumers no longer

see insurance as a financial endeavor motivated by tax advantages. The following factors have led to the shift.

- The private sector's attempts to successfully raise awareness of the fact that protection is the main goal of any insurance policy and savings are only a bonus. The definition of "insurance" has undergone a paradigm shift as a result of the advent of private sector businesses.
- a significant reduction in insurance costs that led to a demand for insurance goods. Furthermore, customers have come to understand that while there are several ways to invest resources, life insurance remains the best option when it comes to safeguarding oneself.

Due to this shifting tendency, there is a greater need for protective insurance products. The insurance firms are pushing term and whole life policies hard. Another trend is a rise in knowledge of the need of getting the right level of risk coverage based on one's age, profile, and income. The policy's size has increased as a result of this. Prior to deregulation, policy sizes were limited to the premium amounts that provided tax advantages. Life insurance providers provide specialized policies to meet the varying demands of their clients. The protection levels of life insurance products can be changed within the same policy. Additionally, these businesses provide their customers creative, adaptable, and eye-catching riders. Collaborations with well-known international insurance providers have given rise to new product innovations. When life insurance firms first began functioning in the nation in the middle of the 20th century, all enterprises were subject to the natural evil play. Profiteering was mixed with a great deal of scheming. Consequently, all 245 businesses involved in the life insurance industry were nationalized, leading to the creation of the Life Insurance Corporation of India (LIC) on September 1, 1956 (Choudhary & Kiran, 2011). But toward the close of the previous decade, the government adopted the processes of globalization, privatization, and liberalization, which represented a paradigm change in economic policy.

The Act of 1999 established the Development Authority (IRDA) to oversee the nation's insurance industry. Consequently, the Indian general and life insurance sectors were opened to private participation. From 2000 forward, the life insurance market had significant growth in terms of offices, agents, new business policies, premium revenue, and other metrics (Rajendran & Natarajan, 2010). Furthermore, the life insurers offered a wide range of new riders and products (such as ULIPs, Pension Plans, and so on) to meet the needs of different

clients. This led to the loss of the advantages that LIC was receiving from its market monopoly, and it was forced to contend with fierce competition from private businesses. As a result, LIC was forced to alter how it operated. The success of a corporation as a whole depends on its human resource management. It is crucial that the workforce be competitive in order for the company to be successful in the marketplace. With this in mind, as the private competitors invaded the insurance market, LIC made drastic adjustments to its human resource practices in order to combat the competition. ICICI Prudential is the leading private sector participant in the market. Aggressive distribution, utilizing the company's current clientele, and meticulous execution planning are the keys to ICICI's success. With over 50,000 agents, all new entrants have grown quickly and are now present in around 40 locations nationwide. They have launched roughly seventy new items and have together invested almost 150 crores on advertising. In India today, the life insurance industry is a complex one. The number of participants in the life insurance market has expanded as a result of the insurance sector's liberalization. With its monopolistic hold on the industry, the Life Insurance Corporation of India (LIC) was up against fierce competition from the new players. Differentiated distribution methods and marketing approaches were adopted as a result of competition. In order to remain viable and competitive in this fiercely competitive market, insurers are providing individualized insurance solutions. The insurers have established nationwide contact centers, interactive voice response systems, and websites with interactive tools to assist consumers in planning their needs in an effort to better serve their clients. Insurers have used various distribution methods, like partnerships with banks and massive retailers like Shoppers' Stop, to broaden their customer base. In order to cross-sell items, insurers also use their current customer and distributor databases. Customers are now more aware of insurance goods thanks to these tactics. The techniques have resulted in a rise in the life insurance sector by raising client knowledge of insurance. In rural locations, there is a sizable untapped insurance market. With 40% of the country's income coming from rural regions and 74% of the people residing there, insurance firms are viewing rural markets as an opportunity rather than a duty. Innovative insurance products and marketing tactics are being developed by private life insurance companies specifically for the rural market. In order to market and distribute their goods, several businesses have partnered with social activist organizations and non-governmental organizations.

### **Insurance Industry Practices for Human Resource Management**

India's insurance industry has completed a full cycle, having gone from being a free and open market to being nationalized and back to being liberalized. The Indian economy has become



more globalized and liberalized, which has altered the nature of competition for both finished goods and services and human resources. This eliminates any room for the organization to become complacent. Players in the insurance sector are not an exception to this. Several significant pertinent HRM practices within the insurance company context include

- Human resource planning is need-based, meaning that workers with a certain talent will only be hired when the firm needs them. There is no provision for maintaining a backup staff.
- The skill requirements are strictly regulated for selection purposes. This inflexibility is preserved throughout the selecting procedure.
- Job rotation is not practiced as individuals are chosen with certain talents to execute specific duties.
- Most training is done for a brief time in order to impart skills necessary for completing particular tasks. The majority of the training is provided on the job and is designed to assist staff members in completing particular tasks.
- The immediate superior is a key player in the highly organized process of performance assessment. The subordinates are not informed of the outcome of the performance review.
- Years of service are used to measure organizational loyalty, which is the foundation for internal mobility, or promotion. Seniority is hence the basis for advancement.
- The perspective on employee welfare is primarily economic. The firm solely offers physical workplace amenities to facilitate the work environment. The mental environment of the job is not taken seriously.

The concept of human resource management is focused on management and business. It is a key strategic initiative spearheaded by top management that aims to achieve the goals of the whole firm. Strong cultures and strategic integration are valued, and this is a direct result of the vision and leadership of senior management. It emphasizes how individuals are integrated into the business culture and dedicated to a plan that can adapt to change.

### **The insurance industry's HR department is in charge of**

- Developing HR Plans,
- Creating HR policies within the framework of the organization's general policies.
- hiring, choosing, and assigning.
- creating a mechanism for HR development,
- Creating pay packages after consulting with senior executives

- Creating a staff appraisal system,
- Creating employee retention tactics,
- incorporating individuals into the organization,
- Creating and sustaining social and welfare programs for employees and
- Identify strategies for preserving amicable workplace interactions.

### **LIC's HRM Practices**

Private competition has entered the Indian insurance market as a result of liberalization. Numerous international insurance providers have established representative offices in India and partnered with multiple asset management firms (Shanker, 2006). Due to all of these advancements, insurance companies now have to compete on a level that goes beyond technology, creative thinking, skillful strategy, or tool use. It also comes down to how well-organized the best companies are in order to attract better employees who are more driven to perform at a higher level (Waterman, 1994).

The current study has shown that following privatization, LIC significantly altered its human resource management system. Prior to privatization, agent hiring was handled at the branch level; however, it was later modified to adhere to the IRDA's recruiting guidelines. These standards apply to all life insurance providers. To begin operations, the agents must pass a test and complete training. Before privatization, agents had informal training. At the branch level, the agents were trained by the development officers. Subsequently, the agents would acquire knowledge via experience and observation. Following privatization, the IRDA established guidelines for agent training. Pre-recruitment training and on-the-job training provided at the branch level are included in this. Regular training sessions serve to keep the agents informed in between. The procedure for hiring new workers at LIC has not changed. In order to keep the staff, the compensation scales have been adjusted.

Promotions and other choices were made using the performance management system prior to privatization, which was validated by higher level officials through the compilation of a secret report. Following privatization, contemporary performance evaluation techniques including internal audits and 360-degree evaluations are being employed. Prior to privatization, LIC had a strict HRM protocol and gave little thought to staff learning and development opportunities. Following privatization, LIC created an effective HRD program to raise staff performance. The company's HR management has undergone reforms that have made LIC personnel more competitive, and LIC is fiercely competing with the private insurance companies to hold onto market share. Additionally, the office space and furniture were updated to enhance the atmosphere.

Therefore, we may conclude that LIC developed strategies and initiatives to raise employee performance after realizing the value of sound HRM practices (in due course) and after privatization. It goes without saying that an organization's competitive edge is derived entirely from its people. When given proper care and support, an organization's human resources (HR) will pay off in the form of improved performance, increased production, and better outcomes. Thus, the organizations will be impacted by this study's practical and policy consequences. It is undeniable that organizations may increase their performance significantly by prioritizing effective human resources strategies. Globalization has emerged as a popular term in both academics and industry. Increasing productivity and quality is an ongoing endeavor in today's fast-paced, fiercely competitive global market. Indian businesses must take a cue from the strategies used by global corporations.

particularly in relation to procedures for a diverse workforce, pay equity, and the hiring and onboarding of staff. Those were the days when seniority was determined by experience, and salary was determined by seniority. Gender, age, and experience are all irrelevant when discussing globalization; culture is the most important factor to consider. An employee who has been carefully chosen and socialized is likely to display corporate citizenship behavior, which increases loyalty to the company, improves retention, reduces absenteeism, and ultimately boosts productivity.

### **The Difficulties**

HRM is essential to the insurance sector. Currently, India is home to around 23 private sector and one public sector (LIC) life insurance company. Insurance services provide over 7% of the nation's Gross Domestic Product (GDP), together with banking services. An advanced and well-developed insurance industry benefits economic growth by supplying long-term capital for infrastructure and economic development while enhancing the nation's capacity to accept risk. From 2000 onward, the life insurance industry had remarkable growth in terms of offices, agents, new business policies, premium income, and other metrics.

Humans are not IT programs or boxes; they are boxes. They think in ways that are unique to them. These are distinct entities with varying cultural histories and backgrounds. Appropriate HRM methods assist in addressing the current issues facing the insurance sector, which include:

- The Talent Crunch
- Growing Rate of Attrition
- Retention management challenges
- demanding work



- Rigid Market Rivalry
- Handling Diversity in the Workforce
- escalating costs for replacement and training
- deciding on and creating suitable training courses for agents and office supervisors.
- determining a competitive compensation structure and accelerating the rate of work dissatisfaction, etc.

Insurance companies can improve employee management and retention and, consequently, their competitiveness in the expanding Indian market by putting important HR practices into place. This will help them respond quickly to changing market conditions and develop a talent pool that will provide them with the liabilities they need in the future.

### **Ideas**

The Indian insurance sector is expected to face numerous obstacles in the face of its impressive growth, including undermarket penetration, risk management, managing a multichannel distribution network, customer relationship management, fund management, knowledge management, convergence management, managing stakeholder conflicts, corporate governance, and regulatory issues. To fulfill its goal of providing insurance to citizens in every area of the nation, the government and insurance companies must come up with appropriate solutions to these problems. In actuality, the market for insurance goods is set to grow significantly in the next years.

### **For the purpose of efficiently managing human resources in the insurance industry generally and Life Insurance Corporation of India specifically**

- HRM should strive to bring about a paradigm change in the organizational structure and management perspective, moving from a protected environment managerial mentality to a competitive environment mindset, as well as from reactive to proactive reaction. The current order is to restructure the company using a flat, nonhierarchical, decentralized, empowered, cross-functional, and knowledge-based structure.
- Today's organizations have learned rapidly from the competitive business climate that people's motivation and interests are what will drive the company's development and sustainability. The onus of ensuring that employees' contributions consistently align with corporate requirements falls on HR professionals. As a result, HR professionals will need to choose, hire, develop, and provide the finest.
- A cultural shift in the way people see training is necessary in light of the current circumstances. A learning culture must take the place of the current training culture.



Our managers must transform from being learned managers to becoming learning managers.

- The talent exodus is fast approaching in this dynamic and prosperous economic environment. Talent retention has become a more difficult challenge for HR as dedication to oneself and one's career will always take precedence over commitment to the business. HR must develop a long-term plan for employee retention. He will be required to distinguish and clearly identify important individuals. It is necessary to question established pay schemes, do away with red tape, and provide chances for entrepreneurship.
- Customer satisfaction and the caliber of HR services need to be given top priority. To the pleasure of the internal client, the services must be provided at a reduced cost, with improved quality, within the allotted time limit. Pay modification, talent scouting, benefits, employee welfare programs, and training are all essential HR services. Perhaps more significant than pay amount would be how remuneration is related to performance on an individual or team level, business performance, market worth of expertise, and unique skills.
- Nowadays, information workers rather than skilled workers are the focus of HR experts. Employees with knowledge are distinct; they are much more direct and demanding. Additionally, these knowledgeable workers exhibit greater optimism, enthusiasm, and tenacity. As a result, it is his duty to make sure these workers' requirements are addressed, that their wants are appropriately recognized, and that he enables them to give the company operation their all. HR professionals must carefully but firmly ensure that their contributions make greater commercial sense because every decision they make affects the company.
- Value addition is an issue of contemporary HR. As a result, HR professionals are focusing on essential HR competencies while typical HR administration jobs are being outsourced. He devotes time to debating and examining the fundamental business domains in which HR may be useful, as well as to investigating more innovative means of providing help.
- Organizations require IT-savvy HR experts that are proactive, capable of designing creative initiatives, and make a substantial contribution to the day-to-day operations of the business in order to guarantee that HR is stronger. It is important to establish e-

based HR solutions that can offer employees and other executives online help. Today, HR needs to be more online-focused.

- HR will continue to be in charge of advancing value-based management within commercial organizations. Corporate governance and ethical concerns will be a crucial component of the overall strategy in the new era. Evaluation of leadership with a clear vision, credibility, conviction, and character should form the foundation of governance. This should be followed by effective participative management techniques, a shared organizational value and belief system, a consensus-building approach to problem solving, constructive issue resolution, and an atmosphere of openness and trust.
- No one organization will be able to handle the tsunami of change on its own or survive it. It is now essential to share and learn from one another. As a result, benchmarking must be an ongoing procedure. It all comes down to connecting the dots and is a crucial component of a competitive company plan.
- People's behaviors have an impact on the atmosphere and effectiveness of the company. Consequently, it is important to foster strategic capabilities in staff members and inspire them to achieve better results. Given that these workers exhibit highly productive behaviors as a result.

### **In summary**

After all 245 life insurance firms were nationalized, the Life Insurance organization of India (LIC) was established on September 1st, 1956. Since then, the organization has seen remarkable development and has been continuously seeking ways to improve. The liberalization, privatization, and globalization processes adopted by the government have increased the insurance industry's competitiveness. The life insurance industry is no different. Since organizations are created by and for their members, effective management of human resources becomes essential. The goal of the current study on HRM practices in insurance firms is to address various aspects of HRM practices in the insurance industry, with a particular emphasis on LIC.

The Life Insurance Corporation of India (LIC) held a virtual monopoly on the life insurance market for over forty years as the only participant. The life insurance public sector giant, LIC, which had never faced competition before, was forced to compete with private players who boasted of the extensive and long-term experience of their partners from developed nations due to the insurance industry's opening up by the years 2001–2002. LIC changed how things were done in order to compete.

Of the four resources—men, money, materials, and manpower—human resources is the most crucial since the smooth operation of the other three depends on the effective use of this one, or the manpower assigned to each department, including operations, sales, marketing, finance, material management, and research.

Therefore, the core of human resource management is the assignment of enough personnel to each functional department. Only until the tasks associated with human resource management are successfully completed will this be feasible.

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