6. Findings & Suggestions
CHAPTER 6

FINDINGS AND SUGGESTIONS

6.1 POLICYHOLDERS

6.1.1 Profile of the policyholders

Agriculture and allied agricultural activities, being the prime profession of the respondents, form the backbone of the rural economy. The number of respondents who are employed in Govt. services or private services is negligible in number. Again those who are pursuing agriculture still prefer conventional irrigation methods to modern irrigation methods like drip irrigation. The readership number is quite encouraging as it may facilitate creating more awareness about the products and services available in the market. Even in terms of penetration of products like two wheelers, colour televisions and landline telephones, the rural people are not lagging behind their urban counterparts. The divide between the urban and rural is getting blurred day by day thanks to the explosion in technology and the efforts taken by the marketers of FMCGs, consumer durables and services.

Suggestions: The rise in newspaper readership coupled with the penetration of durables like colour televisions and telephones speaks volumes about the aspirations of the rural people to be on par with their urban counterparts. Though the rural market is characterized by low level of literacy, low monthly per capita consumption expenditure and bound by traditional values and beliefs, there is a segment, which is progressive, educated and receptive to new products and services. This segment throws abundant opportunities to the marketers of insurance products to take/launch their new types of products in the rural market.
6.1.2 Awareness about types of insurance products and add-on features

The awareness about the types of insurance products is quite high among the policyholders. It also significantly varies with the demographic characteristics of the respondents like age, education, occupation and wealth position. Youngsters falling in the age group of 21-40 years are quite knowledgeable with reference to the types of insurance products. The educational qualification also makes them knowledgeable.

The segment, which falls in the age group of 21-40 years, with more than HSE qualification involved in business/Govt. service, is found to be having thorough knowledge about the types of insurance products. Though the knowledge about the types of insurance products available in the market is quite significant, the awareness about the add-on features of the insurance products like riders is quite negligible. Here also as found above, educational qualification plays a vital role. The respondents who are well educated (Diploma and above level) are comfortable with the knowledge on add-on features.

Alarmingly, in both the above cases, as the wealth position score goes up, the knowledge about the types of products and add-on features comes down. Those who fall in high wealth category are found to be having little or no knowledge about the same.

Suggestions: Innovative products like pure protection instruments (Term insurance and Whole life insurance schemes) and ULIPs (Unit Linked Insurance Policies) have found many takers in urban India. The marketers could grab the high level of awareness about the types of insurance products in the rural pockets as an opportunity to promote advanced product versions like pure protection policies and ULIPs.
The potential customers with high wealth position can be targeted to promote the products, as the disposable income is very high with them.

6.1.3 Number of policies insured per household

The average number of policies insured per household stands at 1.4 and the average premium amount is at Rs.4741 per annum (as found in Table 5.21). The average number of endowment and moneyback policies per household is more or less same at 1.2. (Table 5.28)

Even in terms of number of lapsed policies, endowment doesn’t vary much from moneyback. Hence the respondents have not shown any preference towards any of the policies.

But the average number of policies insured per household varies across the age groups. It goes up as the age goes up. The number of policies per household as well the average premium amount per household go up along with the wealth position of the respondents.

6.1.4 Lapse of policies: 18% of the total policies (both Endowment and Moneyback) got lapsed due to reasons like financial problems faced by the respondents. The lapse rate goes up along with the age of the respondents. But for the age, the lapsing of policies has nothing to do with other factors like education, profession, wealth position, number of policies insured per household and so on. These factors have no bearing on the status of the policy. The intention to revive the lapsed policies is alarmingly low at 27% as the respondents feel that their financial woes are likely to continue.

Suggestions: Despite the efforts taken by players like Life Insurance Corporation of India by organizing “Policy revival week” campaigns at frequent intervals in a year, it has not yielded the desired results.
The lapsed policyholders who cite their financial problems as the major reason for policy lapse, seldom avail such opportunities from the insurers. The issue could be addressed by the insurers by way of introducing "Flexi premium payment offer" thereby the policyholders can be provided the discretion of fixing their premium based on the disposable income they earn. This kind of flexi payment of EMI (Equated Monthly Installment) option has been recently introduced by majors like ICICI and SBI in home loan repayment schedule. Through the discussion the researcher had with the officials from these institutions, it is learnt that the option has been well received by the customers. As the disposable income with the rural populace is subjected to vagaries of monsoon, an option of fixing their own premium amount would definitely attract more potential customers. This would also in turn motivate the policyholders to revive their lapsed policies.

6.1.5 Reasons for preferring insurance

Insurance has never been bought but sold in India. Still it is considered to be an investment proposition rather a protection instrument. This is better reflected here where many of the respondents have gone for insurance expecting a bulk return on their investment in future.

6.1.6 Reasons for preferring a particular type of policy

‘Bulk benefits in future’ is observed to be the most influencing factor for preferring the endowment policy while it is the ‘interim returns’ in moneyback policies. Surprisingly, the agents who are perceived to be playing a major role in influencing the potential customers have little role to play in the customers selecting a particular type of product.
Suggestions: These facts could be taken into account while designing the message structure and content in communication. The message could be woven around the unique selling proposition (USP) of ‘Bulk return on investment’ in general, ‘Bulk benefits in future’ for endowment and ‘interim returns’ for moneyback as it would appeal to the target segment. Keeping pace with the changing times, many of the insurers have started emphasizing the ‘protection’ concept (rather ‘savings’ concept) while developing their communication strategy. This may not hold good in rural market as the insurers are long way to go in rural market. Considering the penetration of insurance products in rural market, which is abysmally low, the time is not ripe for a change in the positioning of insurance products.

6.1.7 Reasons for preferring the organization (with ref. to the company and the products)

Affiliation of an insurance company with the Government instills confidence in the minds of the customer about the Organisation’s stability, reliability and integrity. This is proved by the fact that affiliation with the Government is observed to be the most influencing factor while preferring an organization leaving aside all the other factors. (Table 5.58)

Again with reference to the attributes of the insurance products, respondents prefer the organizations, which have products offering good and assured returns over a period of time. (Table 5.59)

6.1.8 Awareness and opinion about private insurance companies

Though it is almost four years since the private players entered the insurance market, they are yet to make a dent in rural areas. Nearly 70% of the respondents are not aware of the entry/existence of the private players in the market.
Adding to this the unassailable belief in the Government and Government affiliated organizations is better revealed here. Nearly 92% of the respondents strongly believe that LIC, which is a State-run organization, is more reliable than any other players in the market. Only 7% of the respondents are of the feeling that both LIC and the Private players are one and the same.

6.1.9 Loyalty

99% of them who are likely to go for insurance cover in the near future prefer the same organization where they have bought their policies earlier. This reflects the loyalty of the respondents towards the organization.

Suggestions: While this revealing perception could be a song to the ears of State-run LIC, this is a rude shock to the private players who are trying to get a foothold in the rural market. It would be an uphill task for them to remove such perception from the minds of rural customers and make an inroad into the rural market. The communication from these players should revolve around emphasizing the trust, the integrity of the promoters, the stability and the credibility of the organization and its commitment to the society. Infusing a sense of credibility and trustworthiness should be the core theme while promoting the corporates through corporate campaigns.

This would be possible considering the credibility of the promoters (the Indian promoters like Tata, Birla, Reliance, Bajaj, TVS to mention a few are household brands in India) in other businesses.

6.1.10 Preferred product features

Half yearly and yearly premium payment options are the most preferred ones with the premium amount of Rs.1000-3000 per annum for a 15 years term plan.
Suggestions: Product innovation leads an organization to achieve a sustainable competitive advantage. That too, a product well designed to cater to the inherent needs of the potential customers, seldom fails in the market.

Insurance players could launch products taking into account the preferences of the customers in terms of mode of premium payment, term plan preferred and the maximum premium amount affordable to them subject to the regulations of IRDA (Insurance Regulatory and Development Authority).

6.1.11 Role of agents in marketing the insurance products

Almost 97% of the respondents have bought their policies through the agentsforce, which has also been the major source of awareness for many of the respondents. (Table 5.73). Barring a very few, most of the respondents are very much satisfied with the information as well the after-sales services provided by the agents. (Table 5.76). Agents could instill tremendous confidence and trust as they are either related or friends to many of the respondents. (Table 5.77). The awareness about the local market also makes the agents force an indispensable one in rural markets.

Suggestions: The role of agents in taking the insurance products to the nook and cranny of the country can never be neglected.

Apart from roping in all other possible channel members to sell insurance products, insurers should concentrate more on expanding the network of agents to tap the rural markets. The agents who have fairly good knowledge about the local environment will definitely have an edge over others in instilling trust and confidence amidst rural mass.
6.1.12 Reference groups and opinion leadership

Contrary to the belief that reference groups and opinion leaders are highly influential in rural markets, 70% of the respondents do not refer the people in their villages before going for any purchase. (Table 5.90).

Only 30% of them seek opinion and views from opinion leaders in the village. The Village panchayat leaders are the most preferred reference points for 44% of the respondents (who refer people before buying high involvement products like insurance). (Table 5.91). Bank Officers enjoy the next level of reference. VAOs are the least preferred. The youth also plays little role in disseminating information about the products and services to the rural customers.

Suggestions: Word of mouth marketing is a very effective tool to disseminate/diffuse the information about new products and services in rural market. Village panchayat leaders command considerable respect and influence among the people in the villages. The village panchayat leader who is portrayed as a demi-God in a rural set-up, could influence the potential customers through good word of mouth. Insurers could utilize the services of village panchayat leaders to spread good word of mouth about their products and services. The village youth who visit the nearby towns and cities for their higher education and profession are equally influential in spreading a positive word of mouth about insurance as well insurers. Since they are assumed to be exposed to more information, their role can’t be brushed aside. These youngsters can be roped in as insurance advisors to take the concept to the rural market further.
6.1.13 Response to alternative distribution channels

The distribution of insurance products is experiencing a paradigm shift in India. Apart from having a large base of insurance agents, the insurers are also roping in all other possible members to act as channel members distributing insurance products. Post offices and National Banks find enough support from the respondents followed by Co-operative Banks and Regional Rural Banks. The respondents are quite reluctant to accept the Self Help Groups as well Voluntary Organisations as the channel members since they are skeptical about the services from such organizations.

Suggestions: Post offices, Nationalised banks and Co-operative banks could be effectively used as alternate channel members to distribute the insurance products in rural areas as these institutions are perceived to be trustworthy by the respondents. The respondents are quite skeptical about other institutions like SHGs, voluntary organizations and private banks. Insurers should try to rope in the institutions, which enjoy considerable approbation among the respondents to target rural mass.

Among those who are aware of SHGs, 60% of them are of strong feeling that SHGs would never be able to replace the agents in terms of services.

6.1.14 Media Habits

Despite the penetration by cable network to the extent of 80%, more than half of the respondents do not refer advertisements in the mass media when they look for insurance products. Those who are educated above diploma level refer advertisements in the mass media when they look for insurance. Hence, the communication through mass media reaches only those who are elite and educated.
It doesn’t reach the people who are illiterate and semi-literates. Rich people also tend to avoid looking for advertisements while buying insurance.

Again, the celebrities appearing in commercials do not find favour with the respondents as they feel that the celebrities are mere money-spinners without any conviction towards the product quality and organizations’ reputation. Only 28% of the respondents like celebrity endorsements. This confirms the fact that the rural populace think twice or thrice before spending on any product or service.

**Suggestions**: Touching the emotional chord of the rural people with celebrity endorsements through the mass media may not cut much ice with the rural customers. This affirms the notion that rural folk are quite rational than emotional. Respondents mostly depend on other sources of information rather mass media like TV and Press.

Leaving the conventional media, non-conventional interactive media like puppetry, folk theatre, sponsoring the local festive events, interactive games during melas, etc. may yield the desired results in the rural market.

**6.1.15 Social Responsibility**

More than 85% of the respondents would like to take insurance cover if a social development project is offered along with the insurance.

**Suggestions**: Corporate Governance and Corporate Social Responsibility (CSR) have taken the centre stage of the corporatedom. Those organizations with good Corporate Governance and CSR practices are well regarded by their stakeholders. This in turn results in good corporate image and corporate/brand reputation. This could have been the objective of many organizations spending huge sum on corporate social responsibility activities.
LIC has been the pioneer in introducing a social development project to the village through its ‘Bima Gram’ to the tune of Rs.25000 (or 25% of the premium collected from the village whichever is lesser) per village if atleast one person in 75% of the households in the village take insurance cover. Such projects get good support from the people, as these are likely to bring some benefits or others to the villages. Insurers could take a cue from this while carrying out their corporate social responsibility activities by aligning the same along with the products. Such ventures find positive response from those who are well educated and in business/government services.

6.1.16 Insurance as a promotional offer

Insurance companies are teaming up with smaller players in the FMCG sector where the former gets to make inroads into untapped markets and the latter builds brand equity. For instance, Tata AIG has tied up with Vardhaman Chemicals in the Western parts of India to give prepaid accident insurance worth of Rs.25000 with every 200gm pack of toothpaste brand Amar. Bajaj Allianz General Insurance has tied up with Kopran Pharmaceuticals (with its brand Smyle) for free insurance. Most of the respondents are receptive to get insurance cover as a promotional offer along with other consumer products. Though none of the variables like age, education, profession and wealth position influence the respondents’ intention to avail insurance as a promotional offer, many of them opt for it at the cost of brand loyalty.

Suggestions: A judicious combination of insurance cover and the product may go well with the rural customers even at the cost of brand loyalty. This strategy may well be adopted to pull the competitors’ customers for consumer product majors.
A perfect synergy can be achieved by joining hands with FMCG/Consumer durable majors to do a co-branding exercise.

6.2 POLICY NON-HOLDERS

6.2.1 Profile of the policy non-holders

The policy non-holders do not differ much from the policyholders in terms of demographic characteristics like education, profession and wealth position. Here also, agriculture and allied agriculture is the mainstay of the respondents. Very few are into salaried class.

Suggestions: It could be well inferred that the inhibiting factors are not the demographic factors like education, profession and wealth status as both the policyholders and policy non-holders fall into the same profile.

6.2.2 Awareness about insurance and types of insurance products

Only 13% of the respondents are not aware of the concept of insurance. Of the remaining, more than 75% of them are not aware of the types of insurance products available. Though the other demographic variables do not influence their awareness about the concept of insurance, factors like education positively influence the awareness about the types of insurance products. Nearly 50% of the salaried classes are aware of the types of products.

Suggestions: As far as the awareness about the concept of insurance is concerned, it should be a happy news to the insurers. This also confirms the FORTE-MART’s findings about the awareness level in rural India.
Having this as a base, the marketers should work on educating the potential customers on the benefits of different types of products available like endowment and moneyback. It would be too early to introduce advanced product versions like pure protection policies and ULIPs to this segment.

6.2.3 Awareness about insurers

Among those who are aware of insurers existing in India, LIC is the most recalled brand. Among the private insurers, TATA AIG and MetLife are the most recalled ones. All the other private insurers are trailing well behind.

Suggestions: LIC should try to cash in on the respondents’ top of the mind awareness (TOMA) as it occupies the top slot in the minds of the potential customers. The private players could be aiming at building brand image and sustaining the same in the market.

6.2.4 Reasons for not going for insurance and preferences

Lack of disposable income is cited as the major reason for not having gone for insurance followed by less priority stature. As far as the preferences are concerned, most of the policy non-holders would like to go for 10 years term plan with quarterly/half-yearly premium mode to the extent of Rs.1001-3000 premium per annum.

Suggestions: As discussed earlier, the insurance products could be redesigned taking into account the preferences of the policy non-holders complying with IRDA’s regulations. This segment could be tapped well if the products are redesigned to cater to the needs of the customers.
6.2.5 Intention to go for insurance in the near future

80% of the respondents do have plans to go for insurance in the near future. This finding is also in line with FORTE-MART’s study, which says that out of the policy non-holders, 62% of them intended to buy insurance. And again, LIC is the most preferred company among all the insurers. Falling in line with the policyholders, policy non-holders also prefer an organization, which is attached with the Government and offering products with good and assured returns.

Suggestions: It would be an uphill task for the private insurers to remove such perception from the minds of rural customers and make an inroad into the rural market. The communication should make an emphasis on the trust, the integrity of the promoters, the stability and the credibility of the organization and its commitment to the society. This would be possible considering the credibility of the promoters (the Indian promoters like Tata, Birla, Reliance, Bajaj, TVS to mention a few are household brands in India) in other businesses.

It is disturbing to note that still customers prefer products, which are likely to offer good and assured returns when the industry’s fortunes are market-determined and market-driven. The days were gone when LIC was launching products with high and assured returns. It is the collective responsibility of all the insurers to address this issue and educate the customers on market driven forces and remove such a mindset towards returns.
6.2.6 Role of Agents

The indispensable role of the agents is again proved by the fact that 90% of the respondents (who intend to buy insurance in the near future) prefer to buy the products from the agents. With reference to alternative distribution channel members, post offices, nationalized banks and co-operative banks are the preferred ones in the order of priority. SHGs and Voluntary organisations are the least preferred ones, as they are perceived to be unreliable.

Suggestions: Rather roping in all the institutions as the channel members, it would be prudent to restrict to institutions like post offices, nationalized banks and co-operative banks (for rural markets) which enjoy considerable patronage among the rural mass. With reference to SHGs, the policy non-holders perceive them in the same way the policyholders perceive.

6.2.7 Media Habits

74% is the penetration level of cable TV among the policy non-holders, and only 42% of them tend to refer advertisements in the mass media. Their attitude towards the celebrity endorsements is similar to that of policyholders. Only the well-educated section shows some inclination to buy the celebrity endorsed products.

Suggestions: The policy non-holders also look so rational as they don’t go by the mass appeal of the celebrities. The insurers, instead spending huge sum on mass media, can turn to judicious mix of conventional and non-conventional media as discussed earlier. In other aspects like social responsiveness, attitude towards insurance as a promotional offer and brand switch, the policy non-holders do not differ much from the policyholders.