Chapter-4

SECONDARY DATA ANALYSIS

4.1 This chapter aims at understanding the rural life insurance market in India and to study the existing marketing techniques of the life insurance companies in relation to the coverage of rural insurable population, the opportunities available, the future prospects of life insurance and also aims at evaluating the existing insurance penetration in the rural areas. At the end of this chapter a critical evaluation is made with regard to the marketing potential available vis-à-vis the marketing potential utilized, the needs of the customer and products offered by the companies, whether the companies' products are catering to their genuine purpose for which they are designed, the gap that is existing at various stages –product, price, place and promotion and the statutory obligations and companies’ commitments. In a nut shell this chapter aims at studying from the secondary data the three objectives of the thesis viz,

- To study the rural centric marketing management techniques adopted by the life insurance companies.
- To identify the lacunae / deficiencies in the existing marketing techniques vis-à-vis the expectations, awareness levels and safety perceptions of the rural people.
- To suggest suitable rural centric marketing management techniques to the life insurance companies for wider rural coverage.
For the purpose of the study the five major players in the life insurance sector as at 31st March, 09 viz, LIC of India, ICICI Prudential Life Insurance, SBI Life Insurance Company, Bajaj Allianz Life Insurance Company and Reliance Life Insurance Company are selected since for collecting primary data the researcher has relied on these five companies only. A few other companies are also taken in to account which have done some ground work and the methods of their marketing for the rural sector are studied. For the purpose of study of insurance spread, the researcher has taken the secondary data from IRDA journals and annual reports of the various life insurance companies as at 31st March, 2009 and also relied on various departmental manuals of the insurers, news paper reports and insurance company websites. Some of the websites are [www.licindia.com](http://www.licindia.com), [www.sbilife.com](http://www.sbilife.com), [www.iciciprulife.com](http://www.iciciprulife.com), [www.sbilife.com](http://www.sbilife.com) and [www.reliancelife.com](http://www.reliancelife.com). The researcher has selected the five players in life insurance sector on the basis of volume of business done and felt that by considering LIC of India (a premier public sector company) and other private players, it is possible to compare between classical and new generation insurance companies.

Marketing of any life insurance product is a very challenging proposition considering its intangible nature. In this sale, the sacrifice (payment of premium) is immediate but the benefit
(maturity) is distant. The apparent product is a piece of paper (policy bond). Given the low literacy rates, inadequate insurance awareness, inadequate reach, heterogeneity and diverse social systems and culture, the selling of life insurance products in rural areas is really a tough job. But the marketing of life insurance in rural area is like Janus faced. The opportunities available are also equally enchanting. The sheer number of Indian population itself is a greatest attraction. The Indian population is largely rural and a welcome feature in terms of prospects is that the rural affluence is on the increase in rural India. Rural business can be a very good business proposition if only the companies start looking down to rural hinterlands with all sincerity. This is more relevant since, as per market surveys, the rural savings constitute 30% of their incomes which is higher than that of urban population. Some of the key indices of the vibrant rural India are presented here for a thorough analysis for evaluating the potential available in rural areas.

4.4 Some of the key statistics of rural areas are as follows:

- The total population of India as per 2001 census is 1026.9 million people and the rural population constitute 72% of the total population.

- Population below 14 years is 35.4%, population between 15 and 60 is 57.1% and population above 60 is 7.5%. The
percentage of insurable population less than 60 years age is more.

- Life expectancy for male is 64 and for female it is 66.
- The sector wise composition of GDP as per Economic survey 2005-06: Primary sector 22.2%, Secondary Sector 25.8% and Tertiary Sector 52% (including service sector life insurance).
- Number of villages are 6,38,691 and rural population is 74,16,60,293.
- Rural literacy rate is 61%. (National Sample Survey Organization, 2005).
- Percentage of working rural population 42. Among the working population, cultivators are 40%, agricultural laborers 33%, household industry workers 4% and other workers are 23%.
- Percentage of population below poverty line in rural areas is 27.1 whereas in urban India it is 23.6. The percentage of population below poverty line pan India is 26.1.
- Income variations are quite wide in urban and rural areas and again within rural areas.
- There are nearly 42000 rural supermarkets in India that exceed the total number of retail chain stores in USA (nearly 35000).
- 50% of BSNL connections are from rural India.
• 41 million Kisan Credit cards are issued in rural India which exceed the total credit and debit cards of 40 million issued in urban India.

• There are nearly 32000 rural branches of commercial banks, 32000 branches of cooperative banks and more than 138756 post offices are available in rural India.


“These statistical figures clearly indicate the state of affairs with respect to rural India and indicate how vibrant the rural India represents to the Indian economy as a whole”.

4.5 Some of the vital indices of life insurance:

• Post Liberalization (2001-07), the life insurance industry has grown rapidly posting a new business growth rate of 41% in sum assured whereas the total premium growth during the same period is 28%.

• The growth is fueled by low margin single premium policies and ULIPs.

• The percentage of ULIP business to total business increased from 41.77% in 2005 to 70.30% in 2007-08 and the traditional business has decreased from 58.23% in 2005-06 to 29.70% during 2007-08.

• Total non unit linked investible asset base of the Indian life insurance industry is only 16% of GDP as against the
developed markets average of 50 to 70% and thus we are not creating a long term saving base.

- Total life insurance premium to GDP is 4% as against 6 to 9% percent seen in developed countries.
- Life insurance penetration in rural areas is nearly 25% which is very low.
- LIC of India sold 21.67% of its policies in rural India during 2007-08.
- Of the 8913 life insurance branches of LIC of India and all private players as at March, 08, only 2797 branches are located in places other than metro, urban and semi urban areas.
- Total number of agents as at March, 08 is 25, 20,492 out of which the agents of LIC are 11, 93,744.
- While 10, 07,762 agents are recruited in 2007-08, nearly 4, 80,469 are terminated and the attrition rate is nearly 48% against the global bench mark of 25%.
- Total number of micro insurance agents as at March, 08 is 4584 out of which 4166 are from LIC of India.
- Only 14% of the population is covered by any type of health insurance, of which only 15 to 20% are covered by insurance players. As a result only about 1.5% to 2% of total health care expenditure in India is covered by insurance players.
• Approximately 10 to 11% of the working population in India is covered by formal old age security mechanisms.

• Cross selling rates through bank assurance is 0.5% of customer base of public sector banks, 1 to 2% for private sector banks and 2 to 4% of foreign banks as against the 12 to 14% of the customer base in countries like Spain, France and Italy.

• The four largest life insurers after LIC account for 50% of the non LIC market share.


4.5.a The World Insurance Report observes the following with regard to life insurance in India:

INDIA HIGHLIGHTS:

“Insurance reforms earlier this decade paved the way for private participation, fostering strong growth. However, the insurance sector still remains mostly under-penetrated. Life insurance is largely used as a means to improve finances, while non-life coverage is not considered a necessity. Since the ranks of the middle class are growing, and per capita income is rising, the insurance market could double in size in the next 5-to-6 years.

Insurance companies are increasingly adopting a strategy of deploying multiple distribution networks to increase market penetration, and reach the masses not currently served.
Customers fit into distinct segments: Up-market or modern, traditional, and rural and un-/semi-educated. These segments present an opportunity for insurers that can tailor their approach.

**PENETRATION IS STILL WOEFULLY LOW:**

Despite recent growth, there is still tremendous untapped potential in the Indian insurance sector. India accounts for 16% of the world population, but accounted for only 1.68% of the world life insurance market in 2006. India is also far behind world averages in terms of insurance penetration, and insurance density. A mere 20% of the insurable population aged 20 to 60 years is currently covered by life insurance.

Our survey also demonstrated India’s low penetration levels: The average number of policies (life and non-life) held by an Indian consumer is just 1.33, compared with the average of 5.2 polices per client for mature markets”.

The chart 4.a and 4.b show these trends:

![Chart 4.a) showing insurance penetration levels of selected countries.](chart)

**Source:** Chart prepared on the basis of the data of the “The World Insurance Report, 2008 by Capgemini”. 
Source: Chart prepared on the basis of the data of the “The World Insurance Report, 2008 by Capgemini”.

4.6 Future projections:

- India is in the phase of rapid demographic transition. While birth rates are on the declining trend, the life expectancy is moving up. The gray haired above 60 years are expected to live beyond 75 years, thanks to advancement in the field of medicine. According to OASIS report, 1999, there will be 113 million people over 60 years of age by 2016 and 179 million by 2026. For this segment longevity risks are on the rise – as the advanced health cares have improved life expectancy. People may have to live 15 to 20 non earning years. Provision for old age has not really gone in to the minds of the people in proper perspective. There is a good market for pension and retirement benefit schemes. The insurers who take call in this movement are sure to grow big.

- The McKinsey report (2007) on life insurance forecasts rising affluent people (annual income greater than Rs 10 lakh) to 2.3 million house holds by 2012 and will earn 12% of country’s
aggregate disposable income. This segment shall grow to 9.5 million households by 2025. For this segment insurance is estate management tool and an investment vehicle. People of this segment look for wealth managers for advice rather than the traditional insurance agents.

4.7 A critical analysis of the potential available vis-à-vis market potential tapped by the insurance companies:

An analysis of the above facts would indicate the fact that there is large untapped potential available in the life insurance segment in India and especially in the rural India. This aspect can be studied under the following heads.

4.7.a) Bank assurance channel:

The bank assurance channel has not fared adequately to exploit the potential available in the market. For the insurance major, i.e., LIC of India, the bank assurance channel is contributing only 1.70% of its total business as at 31.03.07. In Europe banks handle over 60% of life insurance business and also in France, Spain and Italy. In Asia it ranges from 5 to 40% in countries like Taiwan, Hongkong and Singapore. In India the banking channel is hardly selling life insurance to less than 2% of its captured customers. The banking collaborations of different life insurance companies as at March, 07 and percentage of business to its total business is shown in the table 4.1.
The reasons for under utilization of this channel are as follows:

- Lack of proper training to the banking staff in selling life insurance policies. A Designated Person (DP) in the branch is given the mandatory IRDA training 100/50 hours who generally happens to be the Head of the Branch. The Head of the Branch is too busy to further train his staff.
• Involving all the bank staff for marketing leverage is difficult.
• Lack of selling skills.
• The technical difficulties in utilizing the data warehouse facility of the insurance company.
• In most cases lack of an exclusive product which is simple and easy to comprehend for bank customers.
• With multiple partnerships of the banks viz, mutual funds, non life companies, government agencies etc, how life insurance selling can be given more importance by the banks?
• Life insurance is not the core business proposition for the bank staff and it is not always possible to percolate the enthusiasm of the top officials to the lower staff who is working at the lower levels.
• The bank staff display less enthusiasm as the commission for selling insurance is credited to bank and they don't have incentive to canvas business.
• There is a tendency on the part of experienced life insurance selling bank staff to take up individual agency on benami names.
• The difficulty in keeping the policies in force as the bank managers tend to canvass new business in stead of arranging renewal remittance just to achieve their new business targets.
• The Designated Persons of the banks get frequent transfers with the result that there is no track of following up with old customers for renewal payments.
For the problems shown above, there is a need to find remedies for each area to enhance bank assurance channel efficiency for the larger benefit of all insurers. “As at 2004-05, life insurance funds constitute only 12.1% of savings through household sector, where as it is 12.5% from pension funds, 14.2% from small savings and from bank deposits 44.5%. From this it is clear that there is lot of potential which is yet to be tapped” (Source: Venugopal,R in Yogakshema, March, 08.).

4.7.b) Performance of micro insurance channel:

The analysis also reveals that there is large scope for micro insurance to make giant strides in the rural markets. Boston Consulting Group report, 2008 titled- “A Road Map for expanding Financial Inclusion in India” says that about 30 million households in India have considerable savings but have no bank accounts. In stead of waiting these households to walk in to the banks, there is need for the social system to act pro actively and connect these households to banks and tap them with micro insurance policies. According to National Sample Survey estimates, out of 89.3 million households as many as 45.9 farmer households in India do not have access to any credit. The farm households not accessing credit from formal sources is as high as 95.91% in north eastern regions, 81.26% in eastern regions and 77.59% in central regions of India. Restructuring of region specific credit market will make inclusion a sustainable profitable venture and not just a corporate social
responsibility. The concept of micro insurance is quite latest phenomena in India with Micro Insurance Regulations coming into System from 2005. Except LIC of India, private players have not taken micro insurance seriously. This can be known from the following tables 4.1a and 4.1b.

**Table-4.1a: showing new business under micro life insurance in 2008-2009 in Rs lakhs.**

<table>
<thead>
<tr>
<th>Insurer</th>
<th>Individual insurance</th>
<th></th>
<th></th>
<th></th>
<th>Group insurance</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of policies</td>
<td>Premium</td>
<td>Number of schemes</td>
<td>Premium</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LIC</td>
<td>1541218</td>
<td>3118.74</td>
<td>6883</td>
<td>17268.54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private</td>
<td>610851</td>
<td>537.81</td>
<td>14</td>
<td>3326.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2152069</td>
<td>3656.55</td>
<td>6897</td>
<td>20595.34</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: IRDA annual report ,2009(page no 38)*

**Table-4.1b: showing micro life insurance agents of life insurers as at 31.03.2009.**

<table>
<thead>
<tr>
<th>Insurer</th>
<th>As on 01.04.2008</th>
<th>Additions</th>
<th>Deletions</th>
<th>As on 31.03.2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIC</td>
<td>4166</td>
<td>2482</td>
<td>1</td>
<td>6647</td>
</tr>
<tr>
<td>Private</td>
<td>418</td>
<td>281</td>
<td>96</td>
<td>603</td>
</tr>
<tr>
<td>Total</td>
<td>4584</td>
<td>2763</td>
<td>97</td>
<td>7250</td>
</tr>
</tbody>
</table>

*Source: IRDA annual report, 2009 (page no 38)*

The LIC of India has introduced a special micro insurance plan–Jeevan Madhur in September, 2006 with premium as low as Rs 100/- per month. In less than 2 years of its launch, nearly 13.5 lakh lives have been covered in rural areas. LIC of India also launched one more micro insurance plan in 2009 namely,Jeevan Mangal. For
Jeevan Madhur premium payment term can be selected from weekly, fortnightly, quarterly, half yearly or yearly. Bajaj Allianz Life Insurance Company came out with 2 micro insurance products namely, Jana Vikas Yojana and Saral Suraksha Yojana. Grameen Sakti with a premium of Rs 301 is the product from SBI Life Insurance Company. ICICI Life Insurance Company launched its small ticket micro insurance policy, SURAKSHA. Tata AIG Life has launched 3 micro insurance plans, namely, Navakalyana Yojana – a five year micro insurance protection plan, Sampoorna Bima Yojana under which 15 year protection is available by paying 10 year premium and Ayushman Yojana – a single premium 10 years micro insurance protection plan. Birla Sun Life Insurance has launched Bima Surakha Super and Bima Dhan Sanchay for rural masses. Bima Suraksha Super is a non participating non linked term assurance plan while Bima Dhan Sanchay is a non participating non linked term assurance plan with refund of insurance premium on maturity. Majority of the life insurance companies have come out with micro insurance products but all are similar.

LIC of India started declaring villages as MADHUR villages after the name of its micro insurance product, Jeevan Madhur. Between 1st ept, 08 to 31st March, 09, it has declared 122 villages as Madhur Grams.

The success of micro insurance in India is still in nascent stage. The full potential is not tapped for the following reasons.
1. The life insurance industry excepting LIC of India has not taken micro insurance seriously. The important marketing strategy of the private players is to get big premiums from High Net Individuals (HNIs) to boost sales volumes. Even if rural markets are tapped, the concentration is on the rural rich to boost premium incomes. Low levels of micro agent recruitment indicates this trend (Rao, Nagaraja, 2010).

2. Client and location specific micro insurance products are not launched suiting to heterogeneous needs of the rural customers (Rao, Nagaraja, 2010).

3. Bundling of inputs, in which several related items are sold like, arranging credit, after sales service, covering insurance etc are not launched in India aggressively.ServiPeru’s Provision Familiar or Family Plan covers up to five persons for coverage like medical consultations, diagnosis examinations, medical emergency services, medical care as a result of accidents, and hospitalization as a result of illness or accident and funeral services. This type of plans are yet to be introduced in India. (ibid: Rao, Nagaraja, 2010)

4. Products are not designed for specific needs like child education, daughter’s marriage etc. ALMAO in Sri Lanka, for example, launched a children policy, “Senehasa”. The plan pays benefits to the children of the insured if the parent dies during the term of the policy. What is unique in this policy is that, instead of paying a lump sum amount, 20% of the amount is paid on death and the rest of the amount is paid in 4 equal annual installments. This provides some ongoing
financial support to the children of the bereaved family. Similarly Delta Life in Bangladesh has developed a daughter's marriage endowment policy where in the death benefit is payable when the daughter attains the age of 18. As part of social engineering, Delta Life also introduced a family planning policy which paid higher sums insured to policyholders who had fewer children. The Indian life insurance companies have yet to design and develop these types of micro insurance products for rural areas (Rao, Nagaraja, 2010).

5. Micro insurance products lack innovation in collection mechanism with people having no access to formal banking systems. For example, African Life found that many clients for one of its low end products in South Africa had a common regular practice of visiting to church at every weekend. So it issued pass books to customers which they used to stamp at the church when they pay their weekly premiums (Protecting the Poor- A Micro Insurance Compendium by Craig Churchill, p no 158).

For the success of micro insurance, the marketing departments of the life insurers need to reassess their strategies and start appointing micro insurance agents on a large scale. The help of NGOs and SHGs need to be utilized. There is also a need to design location specific and region specific need based small ticket products suiting the requirements of the rural people. Flexible premium collection mechanisms need to be developed for the benefit of rural customers. Family products, multi benefit policies, single policies
with multiple riders and combination of life and general features need to be promoted and placed for the success of micro insurance.

4.7.c). Performance of pension sector:

The analysis of the data also reveals that 10 to 11% of the working population alone has formal retirement provisions. India is in the phase of rapid demographic transition with increasing life expectancy and declining birth rates. The elderly population aged 60 and above grew from 24.71 millions in 1961 to 77 million by 2001. The birth rates, however, declined from 41.7 to 25 in the same period. The table, 4.2 and table 4.3 clearly illustrates this point.

Table-4.2: Showing elderly population aged 60 and above in India (1901-2001).

<table>
<thead>
<tr>
<th>Year</th>
<th>Persons</th>
<th>Males</th>
<th>Females</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>12.06</td>
<td>5.50</td>
<td>6.56</td>
</tr>
<tr>
<td>1911</td>
<td>13.17</td>
<td>6.18</td>
<td>6.99</td>
</tr>
<tr>
<td>1921</td>
<td>13.48</td>
<td>6.48</td>
<td>7.00</td>
</tr>
<tr>
<td>1931</td>
<td>14.21</td>
<td>6.94</td>
<td>7.27</td>
</tr>
<tr>
<td>1941</td>
<td>18.04</td>
<td>8.89</td>
<td>9.15</td>
</tr>
<tr>
<td>1951</td>
<td>19.61</td>
<td>9.67</td>
<td>9.94</td>
</tr>
<tr>
<td>1961</td>
<td>24.71</td>
<td>12.36</td>
<td>12.35</td>
</tr>
<tr>
<td>1971</td>
<td>32.70</td>
<td>16.87</td>
<td>15.83</td>
</tr>
<tr>
<td>1981</td>
<td>43.98</td>
<td>22.49</td>
<td>21.29</td>
</tr>
<tr>
<td>1991</td>
<td>55.30</td>
<td>28.23</td>
<td>27.07</td>
</tr>
<tr>
<td>2001</td>
<td>77.00</td>
<td>38.72</td>
<td>38.28</td>
</tr>
</tbody>
</table>


Table-4.3: Showing death rates, birth rates, expectation of life at age 60.

<table>
<thead>
<tr>
<th>Census year</th>
<th>Crude birth rate in percentage</th>
<th>Crude death rate in percentage</th>
<th>Expectation of life at age 60 for</th>
<th>Expectation of life at age 60 for</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Further those who cross the age of 60 are expected to stay beyond the age of 75 with 15 to 20 years of unproductive years. According to Old Age Social Income & Security (OASIS) report, edited by Surendra A. Dave while the total population is expected to rise by 49% from 846.2 million in 1991 to 1263.5 million in 2016, the number of aged with above 60 years is expected to rise by 107% from 55.30 million in 1991 to 113 million by 2016. In other words, the share of the aged in the total population will rise to 8.9% in 2016 from 6.4% in 1991. As per this report by 2026 the share of gray haired people would be 13.3% of the total population. At present over 28% of the salaried employees and approximately 89.2% of the workers (self-employed and farmers) are not covered by any pension scheme.

“While the numbers have gone up, the quality of life has come down. Industrialization, migration, urbanization, disintegration of
joint families, intrusion of westernization etc have taken a huge toll on the natural support systems and added miseries to the lives of elderly persons (Source: Oasis Report, 2008). But the improvements in health care systems enhanced the life expectancies (from 32 years in 1951 to 62 in 2001). The existing system nor any poverty drive by the government is enough to solve the old age income security problems” (ibid: Oasis report, 2009). Therefore, pension plans offer highly lucrative business opportunity to many players as it is widely unexploited as on today.

This data provide insights in to future needs of aging India. The untapped potential in this pension sector needs to be aggressively filled in by the insurance players at the earliest. The primary data relating to Kolar rural and Bangalore rural as discussed in table 5.11 also revealed that there is a huge demand for pension products from the rural populace.

4.7.d) The performance of the traditional agency channel:

The analysis also reveals that there is nearly 53.4% of population in the age group of 15 to 60 and 35.4% below 15 years. These segments of population require some form of insurance for sustenance. Roughly 72% of the population is residing in rural areas. “Over the past few decades between 1950 and 2000, the rural economy has graduated from 'Barter' economy to 'Cash Rich' economy” (ibid: Pradeep Kashyap & Siddharth Raut, page 28). The allocation for rural development has been increased from Rs 8,900
crore in seventh plan to Rs 34,400 crore, Rs 89,000 crore and Rs 1,20,000 crore in eighth, ninth and tenth plans respectively. The Human Development Index improved significantly by 26% in 1980s and by another 24% in 1990s. The rural–urban gap in the area of human development has declined from around 1.7 in the 80s to 1.5 in early 90s. The HDI is a composite of variables capturing attainments in three dimensions of human development, viz, economic, educational and health. The population below poverty line has declined significantly from 46% to 27% in rural areas from 1983 to 2000.

The share of primary sector (agricultural and allied activities) has come down from 57.2% of GDP in 1951-52 to 23.9% in 2001-02. The GDP share of secondary and tertiary sector have however doubled during the same period. All the above indicate that the rural India has undergone tremendous structural shift from farm based to service economy.

The Tables 4.4, 4.5, 4.6 and 4.7 clearly show these trends.
**Table 4.4: showing Human Development Index in India.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>0.26</td>
<td>0.44</td>
<td>0.30</td>
</tr>
<tr>
<td>1991</td>
<td>0.34</td>
<td>0.51</td>
<td>0.38</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td>0.47</td>
</tr>
</tbody>
</table>


**Table 4.5: Showing population below the Poverty Line (rural).**

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of persons (millions)</th>
<th>% of persons</th>
<th>Poverty Line in (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>252</td>
<td>46</td>
<td>89.5</td>
</tr>
<tr>
<td>1993-94</td>
<td>244</td>
<td>37</td>
<td>206.0</td>
</tr>
<tr>
<td>1999-04</td>
<td>193</td>
<td>27</td>
<td>328.0</td>
</tr>
</tbody>
</table>


**Table 4.6: Sector wise allocation during Five Year Plans (In billions of rupees).**

<table>
<thead>
<tr>
<th>Heads of Development</th>
<th>Seventh Plan</th>
<th>Eighth Plan</th>
<th>Ninth Plan</th>
<th>Tenth Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>105</td>
<td>225</td>
<td>372</td>
<td>589</td>
</tr>
<tr>
<td>Rural Development</td>
<td>89</td>
<td>344</td>
<td>890</td>
<td>1219</td>
</tr>
</tbody>
</table>

Source: Planning Commission, 2002
Table 4.7: Percentage share of the different sectors in GDP (at 1993-94 prizes).

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary (agriculture &amp; allied)</th>
<th>Secondary (manufacturing)</th>
<th>Tertiary (services)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>57.2</td>
<td>14.8</td>
<td>28.0</td>
<td>100</td>
</tr>
<tr>
<td>1980-81</td>
<td>39.7</td>
<td>23.7</td>
<td>36.6</td>
<td>100</td>
</tr>
<tr>
<td>2001-02</td>
<td>23.9</td>
<td>26.6</td>
<td>49.5</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Planning Commission, 2002
The Rural Marketing Book of Pradeep Kashyap and Siddharth Raut, published by bijtantra, p no 30.

From the above tables it can be known that Indian villages are growing affluent over the past few decades. Income levels are on the rise and there is necessity for insurance to safeguard the incomes. But the life insurance players could not tap this raising affluence to the full capacity and the penetration levels in rural India are as low as 19% as at March, 2000. Even after the liberalization and privatization of life insurance industry, the penetration levels are as low as 25% approximately as at March, 08. This is roughly 4% of the GDP as against the world benchmark of 8%. The vibrancy of the rural market can be seen from Appendix 3.

The broad reasons for the underperformance of agency channel include:

- The life insurance industry has not given adequate importance to insurance education to rural people. The low levels of life insurance awareness had taken its toll on the growth
trajectory of insurance companies. The low levels of awareness were also found from the primary data as discussed in tables 5.3, 5.4, 5.5, 5.6 and 5.7.

- The selling technique of an average insurance agent is ‘hard sell’ and business is canvassed not on the anvil of ‘core insurance’ but on the pedestal of ‘investment’. The value component of insurance element is eclipsed in the supposed benefits at maturity. The rural people can not distinguish insurance with other investments like bank savings, post office deposits and mutual funds. The World Insurance Report by Cap Gemini says, “Our survey confirms customer perceptions about life products. Among respondents to our customer survey in India, 88% said they use insurance primarily as a means to improve personal finances, compared with 11% of respondents from mature markets, where insurance is seen first and foremost as a way to protect possessions and family” (Ibid: Cap Gemini.)

- There are not enough exclusive rural products catering to different segments. The policies sold in urban areas are being sold to the rural rich and there is a necessity to devise policies for the rural poor.

- The premium collection mechanism in rural areas is not in tune with rural requirements. The primary data (5.12) reveals the expectations of rural customers in terms of daily pigmy
collections. But the insurance companies have not devised flexible payment options.

- The quality of recruitment of agency force is not up to the mark and is discussed in 4.7.f.

4.7.e. Performance of alternate channels.

Until privatization of life insurance industry, the preferred channel of procuring business was purely the agency channel dealing with door to door selling. The opening of the industry threw open new channels of business apart from bank assurance where the modus operandi of canvassing business is radically different. The distribution revolution ushered new channels such as telephone, Internet, employee unions, brokers, retailers, charities, professional service bodies, NGOs, Panchayat members, dairy unions and Gram Sevaks.

The preferred channels for various products are shown in table 4.8.
Companies such as Life Insurance Corporation, ICICI Prudential Life Insurance and ING Vysya Life Insurance have tied-up with Suvidhaa Infoserve, which runs 13,000 kirana stores that provides grocery, mobile and telephone services, pharmacy products, internet and travel services to customers in 400-odd locations. The tie-up allows a policyholder to pay his premium at the store, where the store owner will punch details into a kiosk to generate a payment receipt. DLF Pramerica Life Insurance has partnered with Srei Sahaj

<table>
<thead>
<tr>
<th>Company sales force</th>
<th>Products</th>
<th>Target market</th>
<th>Activities performed by distribution channel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unit linked insurance</td>
<td>Middle income</td>
<td>Sales to new customers</td>
</tr>
<tr>
<td></td>
<td>Health/disability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal pensions</td>
<td>Professionals</td>
<td>Business owners</td>
<td>Sales to existing customers</td>
</tr>
<tr>
<td>Term assurance</td>
<td>Middle income</td>
<td></td>
<td>Advice on an individual basis</td>
</tr>
<tr>
<td>Whole life</td>
<td>Business owners</td>
<td></td>
<td>Requests for current policy information</td>
</tr>
<tr>
<td>Endowment</td>
<td></td>
<td></td>
<td>Requests for policy alteration</td>
</tr>
<tr>
<td>Brokers</td>
<td>Unit linked insurance</td>
<td>Middle income</td>
<td>Sales to new customers</td>
</tr>
<tr>
<td></td>
<td>Health/disability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal pensions</td>
<td>Business owners</td>
<td></td>
<td>Sales to existing customers</td>
</tr>
<tr>
<td>Term assurance</td>
<td>Professionals</td>
<td></td>
<td>Providing information</td>
</tr>
<tr>
<td>Whole life</td>
<td></td>
<td></td>
<td>Advice on an individual basis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Requests for current policy information</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Requests for policy alteration</td>
</tr>
<tr>
<td>Bank assurance</td>
<td>Unit-linked insurance</td>
<td>Middle income</td>
<td>Sales to new customers</td>
</tr>
<tr>
<td></td>
<td>Health/disability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term assurance</td>
<td>Business owners</td>
<td>Middle income</td>
<td>Sales to existing customers</td>
</tr>
<tr>
<td>Health/disability</td>
<td>Professionals</td>
<td></td>
<td>Advice on an individual basis</td>
</tr>
<tr>
<td>Personal pensions</td>
<td></td>
<td></td>
<td>Obtaining customer feedback for marketing and strategy</td>
</tr>
<tr>
<td>Telemarketing</td>
<td>Term assurance</td>
<td>Middle income</td>
<td>Sales to new customers</td>
</tr>
<tr>
<td></td>
<td>Lower income</td>
<td></td>
<td>Sales to existing customers</td>
</tr>
<tr>
<td></td>
<td>Business owners</td>
<td></td>
<td>Dealing with enquiries</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Advice on an individual basis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Providing information</td>
</tr>
<tr>
<td>Mail</td>
<td>Investment products</td>
<td>Middle income</td>
<td>Sales to new customers</td>
</tr>
<tr>
<td></td>
<td>Business owners</td>
<td></td>
<td>Providing information</td>
</tr>
<tr>
<td>Affinity</td>
<td>Whole life</td>
<td>Lower income</td>
<td>Sales to new customers</td>
</tr>
<tr>
<td></td>
<td>Unit-linked insurance</td>
<td>Middle income</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Health/disability</td>
<td>Professionals</td>
<td></td>
</tr>
</tbody>
</table>

Source: Multi channel distribution in life insurance by Stuart Purdey (Articles presented at CII 7th Insurance Summit Nov ’02), page 3
E-Village, an arm of Srei Infrastructure Finance, to reach out to 27,000 villages, while Max New York Life has tied up with Kisan Seva Kendras run by Indian Oil Corporation in rural areas (Source: Khyati Dharamsi, Insurers try novel distribution models, DNA news, 27th Nov, 09, page no 2).

The life insurers in India, particularly, the LIC of India has not shown much interest in these modes of distribution channels which can be seen from the following table 4.9 and figure 4.1.

**Table-4.9: showing percentage of business to the total business of the individual companies through alternate channels as at 2004**

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage of business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviva</td>
<td>70%</td>
</tr>
<tr>
<td>SBI Life</td>
<td>53%</td>
</tr>
<tr>
<td>Birla Sun Life</td>
<td>35%</td>
</tr>
<tr>
<td>ICICI</td>
<td>30%</td>
</tr>
<tr>
<td>BALIC</td>
<td>25%</td>
</tr>
<tr>
<td>Max New York</td>
<td>23%</td>
</tr>
<tr>
<td>HDFC Std</td>
<td>22%</td>
</tr>
<tr>
<td>ING Vysya</td>
<td>17%</td>
</tr>
<tr>
<td>LIC</td>
<td>0.49%</td>
</tr>
</tbody>
</table>

**Source:** Chari VG (2005) "Insurance: A re look at the distribution strategy, Insurance Chronicle, March,05."
Figure-4.1: showing the percentage wise business of life insurers with regard to different distributive channels as at 31.03.2009.


From this it can be concluded that the public sector LIC of India is still relying on traditional marketing techniques and has not explored the new distribution channels viz, Internet insurance, tele insurance, direct business and such other alternate channels to its full potential.

4.7.f) Attrition rates of agents- Low attention by the insurance companies:

The analysis also reveals that the insurance companies are not successful in arresting the attrition rates of agents. While 10,07,762 agents are recruited in 2007-08, as many as 4,80,469 agents are terminated in 2007-08. The attrition rate is nearly 48% which is quite high against the world bench mark of 25%. The table 4.10 reveals the trends of attrition:
Table 4.10: Table showing attrition rates of agents in 2007-08.

<table>
<thead>
<tr>
<th></th>
<th>Number of agents as on 01/04/07</th>
<th>Additions by way of recruitment</th>
<th>Deletions by way of terminations</th>
<th>Net number of agents as at 31/03/08</th>
<th>Attrition rate in percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private companies</td>
<td>890152</td>
<td>772910</td>
<td>336314</td>
<td>1326748</td>
<td>43.51</td>
</tr>
<tr>
<td>LIC of India</td>
<td>1103047</td>
<td>234852</td>
<td>144155</td>
<td>1193744</td>
<td>61.38</td>
</tr>
<tr>
<td>Total</td>
<td>1993199</td>
<td>1007762</td>
<td>480469</td>
<td>2520492</td>
<td>47.67</td>
</tr>
</tbody>
</table>


The trend shows that insurance companies have not paid attention to the retention of the agency force which is a drain on their budgets for identifying and training the force. This has also its effects in rendering the policies of these agents in to 'orphan' policies. The customers of these orphan policies feel let down by the company which sold them as they will not have the agent for servicing these policies. The customer dissatisfaction takes toll on repeat sales as well. Most of the customers let their policies lapsed loosing the trust which is the essence of any insurance contract. In fact, customer satisfaction indices hold the key for survival and progress of any industry and more so for Life insurance industry as the contracts are long term and benefits are distant. One of the reasons for high attrition rate in agency force is due to failure of marketing management in assessing the potential of the area in which the agents operate and the general tendency to thrust uniform targets to agents which are usually high. Location specific and area specific assessment of the potential before the fixing the targets would be ideal for the retention of the sales force in the long run.
4.7g) **Insurance growth- urban orientation:**

The analysis also reveals that there is exponential growth in life insurance industry after it is thrown open to private players in 2000. During 2001 to 2007, the life insurance industry registered a growth of 41% in new business sum assured with premium registering 28% growth. If we analyze the growth carefully, it is evident that the growth is fueled largely by unit linked policies and single premium policies. While the ULIP business grew form 41.77% to 70.30% from 2005-06 to 2007-08, the traditional business declined from 58.23% to 29.70% in the same period. The table 4.11 clearly shows these trends.

The implication is that the growth emanated from semi urban and urban centers and also from the affluent segments of the rural areas as the minimum ticket size of a ULIP policy is generally Rs 10000 per year. The rural poor who are at the bottom of the pyramid with lesser disposable incomes may not find it convenient to take up these types of policies. It is the paramount necessity to design low priced ULIPs and traditional plans in the rural sector. The systematic investment plans with different frequency modes need to be introduced. The growth story of life insurance industry has not seriously attempted for inclusive growth which is the paramount need today. The table 4.11 clearly illustrates the trends of life insurance business.
Table-4.11: Showing trends of life insurance business.

<table>
<thead>
<tr>
<th></th>
<th>ULIP Business %</th>
<th>Non-linked business %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private companies</td>
<td>82.30</td>
<td>88.75</td>
</tr>
<tr>
<td>LIC of India</td>
<td>29.76</td>
<td>46.31</td>
</tr>
<tr>
<td>Industry total</td>
<td>41.77</td>
<td>56.91</td>
</tr>
</tbody>
</table>


The Boston Consulting Group (BCG) for 2007 analyzed that insurance is linked with income and the lesser income groups in India have lesser percentage of insurance policies. 87% of households with lesser than Rs 45000 income per year in India do not posses life insurance. 76% of households with incomes Rs 45000 income per year to Rs 90000 per year do not possess life insurance. The marketing management of insurance companies did not address the life insurance needs of the low income groups all these years.

The table 4.12 and chart 4.1 illustrate this point.
Table 4.12: Showing households possessing insurance policies in comparison with household incomes.

<table>
<thead>
<tr>
<th>Household incomes, 2006 (Rs thousands)</th>
<th>Number of households in millions</th>
<th>% of households holding a life insurance policy</th>
<th>% of households not holding a life insurance policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;200</td>
<td>10</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>&gt;135-200</td>
<td>45</td>
<td>43</td>
<td>57</td>
</tr>
<tr>
<td>&gt;90-135</td>
<td>17</td>
<td>39</td>
<td>61</td>
</tr>
<tr>
<td>45-90</td>
<td>56</td>
<td>24</td>
<td>76</td>
</tr>
<tr>
<td>&lt;45</td>
<td>76</td>
<td>13</td>
<td>87</td>
</tr>
</tbody>
</table>

Source: Survey of 4125 individuals in BCG’s next billion consumer research, 2007, BCG analysis

Table compiled from the Boston Consulting Group Report, 2007, page no 16.

4.1. Chart showing the relationship between income and life insurance possession.


4.7g) All private players except the top four have less than 41% of non LIC market share and it implies that the seventeen private players have either late entrants or not sharpened their marketing techniques adequate enough to penetrate the rural markets.
The table 4.13 and the chart 4.2 shows the business levels in terms of first year premium income of the private companies as at 31st March, 09.

**Table-4.13: Showing the premium under written by private life insurance companies in rupees as at 31.03.09.**

<table>
<thead>
<tr>
<th>Name of the private life insurance company.</th>
<th>Premium under written by the companies in crores of rupees</th>
<th>Percentage to the total premium of all private companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bajaj Allianz Life</td>
<td>4491.64</td>
<td>13.151</td>
</tr>
<tr>
<td>ING Vysya Life</td>
<td>688.17</td>
<td>2.015</td>
</tr>
<tr>
<td>Reliance Life</td>
<td>3514.06</td>
<td>10.029</td>
</tr>
<tr>
<td>SBI Life</td>
<td>5386.46</td>
<td>15.771</td>
</tr>
<tr>
<td>Tata AIG</td>
<td>1142.45</td>
<td>3.345</td>
</tr>
<tr>
<td>HDFC Standard</td>
<td>2644.03</td>
<td>7.741</td>
</tr>
<tr>
<td>ICICI Prudential</td>
<td>6812.52</td>
<td>19.395</td>
</tr>
<tr>
<td>Birla Sun Life</td>
<td>2823.91</td>
<td>8.268</td>
</tr>
<tr>
<td>Aviva Life</td>
<td>723.66</td>
<td>2.119</td>
</tr>
<tr>
<td>Kotak Mahindra Old Mutual</td>
<td>1343.03</td>
<td>3.932</td>
</tr>
<tr>
<td>Max Newyoyk Life</td>
<td>1843.71</td>
<td>5.398</td>
</tr>
<tr>
<td>Met Life</td>
<td>1145.64</td>
<td>3.354</td>
</tr>
<tr>
<td>Sahara Life</td>
<td>134.38</td>
<td>0.393</td>
</tr>
<tr>
<td>Shriram Life</td>
<td>313.16</td>
<td>0.917</td>
</tr>
<tr>
<td>Bharathi Axa Life</td>
<td>292.58</td>
<td>0.857</td>
</tr>
<tr>
<td>Future Genereli</td>
<td>152.44</td>
<td>0.446</td>
</tr>
<tr>
<td>IDBI Fortis Life</td>
<td>316.79</td>
<td>0.928</td>
</tr>
<tr>
<td>Canara HSBS OBC Life</td>
<td>298.73</td>
<td>0.875</td>
</tr>
<tr>
<td>Aegon Religare</td>
<td>31.21</td>
<td>0.914</td>
</tr>
<tr>
<td>DLF Pramerica</td>
<td>3.39</td>
<td>0.001</td>
</tr>
<tr>
<td>Star Union Dai-Ichi</td>
<td>51.76</td>
<td>0.151</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34153.72</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** David Chandrasekharan, IRDA Journal, May,09.

**Note:** LIC of India’s premium has not been indicated in the table.
4.8 Summary of analysis:

It is evident from the above analysis that there is a huge untapped potential available in the life insurance market of rural India. The rising affluence in rural markets, demographic shifts with declining birth rates and increasing 60+ populations, growing middle class, increasing attention on rural development, the growth of literacy rate, declining poverty levels, increased mobile connections leading to dissemination of information etc have provided opportunities for growth in the insurance sector. The new channels of distribution, viz, bank assurance and micro insurance kindle new
hopes in the insurance horizon. Analysis revealed that there is much untapped potential owing to inadequate availability of rural products, absence of rural promotion techniques, inadequate availability of need products, low importance given to micro insurance and alternate channels of distribution and high attrition rates of agents due to low levels of training imparted to agents.

The underlying objectives of insurance viz, encouraging consistent saving habit and coverage of risk are not seriously addressed to even though insurance premium is collected in great volume. The marketing techniques need to be sharpened to exploit this untapped potential.

Having analyzed the potential vis-à-vis market penetration and the deficiencies of marketing management for low penetration, it is necessary to find new techniques for wider rural coverage. To understand the future marketing techniques for rural areas, it is necessary to study the current marketing techniques of different life insurance companies with a rural orientation focus. It is also necessary to study the rural and social obligations as stipulated by the IRDA and the marketing techniques to achieve these targets.

4.9 The rural obligations and the existing marketing techniques of LIC of India and private insurers for rural coverage:
The IRDA rules stipulate that the insurers who begin to transact insurance business in the year 2000 or later are required to underwrite the following in the rural sector.

1. At least 7% of total policies written direct, in the first financial year, going up to
   - 9% in the second financial year.
   - 12% in the third financial year.
   - 14% in the fourth financial year.
   - 16% in the fifth financial year.

   With regard to the social sector, the obligations are laid down as:

1. 5000 lives in the first financial year,
2. 7500 lives in the second financial year.
3. 10,000 in the third financial year.
4. 15,000 in the fourth financial year.
5. 20,000 in the fifth financial year.

4.10 The current marketing techniques of life insurers:

In order to meet the obligations the life insurance players have evolved certain marketing techniques. The marketing techniques currently practiced are broadly similar with all the private players which can be analyzed under the following Heads.

- Insurance awareness programs.
- Development of brand image.
- Striving to build the trust by developing customer relationship.
• Introducing innovative products.

• Leveraging the synergies of other financial and social institutions.

• Societal marketing with a view to gain the attention of customers, particularly of rural areas.

• Sales promotion campaigns through suitable incentive/reward systems to intermediaries.

• Innovative advertisement mechanisms.

• Training of resources to meet the challenges of insurance marketing.

• Deploying IT solutions aiming to meet the ever rising customer expectations.

• Relaxations of procedures in claims settlement.

4.10.1 Insurance awareness programs aimed at educating the customers:

“When life insurance policy is canvassed by an agent, he can offer a piece of paper and nothing else. But this piece of paper or document has a value because it is a passport for an 'experience' at a future date. The marketer of life insurance has to present a visualization of that 'experience' to sell the policy. Life insurance is an abstract concept which is difficult to explain. Though it is most needed to vulnerable section of people living at the bottom of the pyramid, the need is not felt unless educated properly. Superstitions, taboos, religious and cultural leanings, heterogeneity etc make things complicate and further there is the vast spectrum of village
customs, dress and physique that make up the Indian village tapestry. A picture of a Punjab farmer may not be acceptable to the farmer of Andhra Pradesh.

In view of this diversity LIC of India tried to take the lowest common denominator in designing its communication tools. It has effectively made use of a fleet of publicity vans with a special material prepared for the masses. The local heroes and local themes are selected in films – for example, a film on Shivaji is shown in Maharashtra where as Rana Pratap was the theme in Rajastan. The death of these heroes is shown as a great loss and had there been insurance, there would have been a little grievance to the families would be the message given at the end. The stories of Ramayana, Maha Bharatha laced with insurance concepts, social and educative themes on agriculture and family planning also play a pivotal role in creating awareness programs. At the end of the film the publicity officer would call up a boy from the audience and promise him a surprise gift if he can narrate the story. The advantage of this gimmick is multi fold. The adult audience pays immediate attention to see if their boy is clever enough to narrate and win the prize. The message gets careful repetition. These types of programs are conducted under the supervision of the Village Pramukh to boost up the ego and he is asked to address the audience”. (Source: S.M. Shirodkar)
“Cheque presentation in an organized meeting at the village is another method to generate interest in insurance programs. In these meetings the branch manager invites the Village Head and other dignitaries to the dais and everybody would grieve the death of the life assured and utilize the opportunity to explain the benefits of getting insured. The idea of life insurance in the context of the insecure socio-economic scene is fortified by conducting this type of meetings” (ibid: S.M.Shirodkar).

“Some private companies like HDFC Standard Life and Tata AIG adopted the strategy of printing the leaflets in local languages and distribute in rural areas through the net work of their agents without mentioning the name of the insurer on the pamphlets. These are purely of educative nature and the distributors of these pamphlets would not canvass business” (Source: Leaflets of HDFC Standard Life & Tata AIG Life Insurance Companies).

As part of social responsibility life insurance companies take part in a big way to show their concern when the situation demands such things. When floods devastated the Andhra Pradesh and Karnataka in Oct, 09, all the companies volunteered in distributing blankets and food packets to the bereaved families. LIC has shown its concern to the claimants by declaring that it would waive the production of vital documents provided a notification of the death is made by the competent authority and also simplified the claims settlement procedure to the victims. Bajaj Allianz Life Insurance Company has showed its concern by distributing blankets and
towels by organizing a big function in the flood affected areas (Figure 4.2). In these type functions, the companies do not speak of insurance at all. But the message of insurance goes straight in to the hearts of the populace. The company has also launched “two bright features” scheme for every child plan that is sold. Apart from giving an educational CD to the child, the company contributes Rs 100/- for the education of under privileged child (Source: BALIC Website).

Figure 4.2: Showing the Zonal Manager of South, Bajaj Allianz Life Insurance Company distributing blankets and towels to the flood affected people in Oct, 09.

Source: Mail forwarded by the Zonal Manager, Bajaj Allianz Life Insurance Company, South to all officers of South in October, 2009.

4.10.2 Development of brand image to sustain interest towards life insurance and purchase decisions.
There is subtle difference in building brands with intangible products from that of tangible products. A brand is a 'single idea or concept that you own inside the mind of the prospect'. A motor cycle as a motor cycle is a vehicle. But when people talk of 'Chetak', 'Splendor' or Samurai' it implies brand positioning. The logic with life insurance is different. All ULIPs or term assurances of different companies look alike and to make any single product outstandingly visible in the eyes of the public is really a herculean task. Still companies try to position their brands with distinct nomenclatures. Jeevan Sathi (a joint life endowment policy), Jeevan Dhara (a deferred annuity policy), Market Plus (a unit linked policy), Jeeve Gruha (a loan protected policy) etc are the various brands of LIC of India. Grammen Sakti is a micro insurance policy of SBI Life and the name itself suggests that the policy is positioned as a tool for covering rural people. No doubt, some brands became success but the ultimate truth remains that the companies have to sell themselves and create brand image for themselves. Towards this end the companies began to make use of punch lines to distinguish their image in the eyes of the public. Some of the common used punch lines of different companies are in shown in Table 4.14.

\[
\begin{array}{|c|c|}
\hline
\text{Name of the insurer} & \text{Punch lines} \\
\hline
\text{LIC of India} & \text{Life is beautiful} \\
\hline
\end{array}
\]

Table-4.14: Showing the famous punch lines of different life insurance companies.
LIC of India | Jindagi ke sath bhi, jindagike bad bhi
---|---
Birla Sun Life | Your dreams, our commitments
ICICI Prudential Life | We cover you at every step in life
OM Kotak Mahindra Life | Jeene ki ajadi
HDFC Std Life | Making life easier for you
ING Vysya Life | Adding life to insurance
Tata AIG Life | With you always
Max Newyork Life | Your partner for life
Bajaj Allianz Life | We cover almost everything
AMP Sanmar Life | Creating better futures

**Source:** Insurance and risk management by Dr P.K.Gupta, Himalaya publishing house, page 419.

LIC of India has been consistently and with steadfastness trying to build the image of the company itself through various advertisements and with the help of its more than 1 lakh agents’ force since the day of its nationalization with good success. In many rural areas, people take insurance as LIC. The common question by the agent used to be 'Have you taken LIC' and not 'Have you taken life insurance'. LIC is synonymous with insurance. Shashidharan Kutty writes as follows:

“One issue I come across from time to time is the dilemma of an insurance adviser who represents a private sector insurer – our friend spends hours with a prospect explaining and illustrating his company’s products and benefits, only to find that the latter, after being all attention and positively inclined, has finally given the business to an agent from LIC of India”.
For building brand image, LIC of India has initiated certain marketing techniques;

- **Bima Grams**: Any village in which at least 75% of the households could boast of at least one policy each is honored as 'Bima Gram' by LIC of India. A big function is conducted in the presence of all villagers and village elders, photographs taken, speeches made and a grant of Rs 25,000 is given out for the purpose of common utility program like digging a bore well. A hoarding is prominently put at the entrance of the village that it is a 'Bima Gram'.

- **Madhur Grams**: LIC of India has launched a micro insurance product, Jeevan Madhur. Any village in which 75% of the households take this policy, the village is declared as 'Madhur Gram'.

- **Bima Schools**: To inculcate life insurance consciousness among children, the future citizens of India, the LIC of India has launched this concept. If 25 students of a particular school take children specific policies, the school is declared a 'BimaSchool' and Rs 2500 is given for the benefit of the school.

(Source: LIC website.)

The above initiatives by LIC are the conscious marketing decisions of LIC of India to build and sustain its brand image. This tool is also used as a powerful advertisement for the neighboring villages/schools to show interest in the activities of LIC.
4.10.3 Striving to build trust by developing customer relationship to improve customer loyalty for repeat sales:

Any life insurance company, for that matter any financial institution can not think of keeping its shop open in the market without the trust of its customers. Trust is reinforced when the pledges are redeemed. The contract of insurance ordains the insurance company to settle the maturity claims on the due date and all the death claims with in reasonable time frame of say, a month from the date of notification. A hassle free simple claim process mechanism with a provision of simple redressing systems in case of delays instills confidence in the minds of the people.

LIC of India developed and perfected robust claim intimation procedure. An auto list of claims payable for the entire year is generated in each of its 2522 branches at the beginning of the year itself. At least 3 months in advance one more auto list with additions and deletions is generated at the policy servicing department for sending auto generated letters. If requirements do not come forth at least a month before the due date, a registered letter is sent and would be entrusted to the agent. Vigorous follow ups are made until the requirements are received and claims are settled with in one month before due date. For all survival benefits up to Rs 2 lakh, a hassle free settlement without calling for the basic requirements of policy bond and discharge voucher is devised. For death claims, all non early claims that arise after 2 years from the date of acceptance of risk need to be settled immediately on the strength of abridged
For any repudiation of claim, LIC of India writes a detailed letter to the claimant stating there on the reason for repudiating the claim. It is compulsory for the insurer to provide the address of Claims Review Committee for appeal in case the claimant prefers an appeal. On receiving the appeal, the review committee, consisting of Zonal officials and the retired judges of Dist Court or High Court once again go through the claim papers and review the decisions of the lower office. If the claim is still not payable, the claimant is given the option to appeal to the Chairman. The repudiations are however very low. All this ensures trust in the minds of the people.

In order to solve customer grievance, a grievance redress mechanism is perfected by the following methods in LIC.

1. Grievance Redress Forums:
   - Branch Level: Branch Manager (In Charge)
   - Divisional Level: Manager (CRM) or Marketing Manager.
   - Zonal office: Regional Manager (CRM)
   - Central office: Executive Director (CRM).

   The designated officers will be available on all Mondays in their respective chambers between 2 to 4-30 pm to attend and redress the customer grievances.

2. Policy Holders Councils:

   In all 109 Divisions of LIC, Policy Holders Councils (PHC) are established. Three policy holders of the respective jurisdictional area
interact with the Divisional Management Committee (DMC) on consumer concerns.

3. Zonal Advisory Boards:

These are the replicas of Policy Holders Councils at Zonal level attending to the consumer concerns and interacting with Zonal Management.

4. Consumer Affairs Committee at Central Office:

The committee is constituted by eminent consumer activists and members of the public and they discuss various areas of consumer interests at the Central Office Forum.

5. Citizen's Charter:

LIC of India has come out with Citizen's Charter in Nov, 97 and with revised Charter again in 2003 with a view to proclaim its commitments to the policy holders. The Charter reiterates its commitments to customers and the standards for general procedures, the standards of policy servicing, the standards for easy access to information and standards for fairness in dealing with customers.

By the above marketing acts LIC tried to instill trust in the general public. The figure 4.3 showing the advertisement clearly summarizes the concept of trust that is pronounced by LIC of India.

**Figure-4.3: Showing the advertisement of LIC to reinforce trust among the policy holders.**
Bajaj Allianz Life Insurance Company developed a robust IT department and generates claim intimation letters two months in advance. The company has added the settlement area in to the Branch Service Index Meter (BSIM) to ensure prompt settlement of maturity claims with in the due date. The company engaged an outsourced organization for early death claim investigations to ensure fast settlement of death claims. To avoid pitfalls and loopholes, the company devised an IT backed initiative of generating policy specific claim forms with bar codes to be dispatched to the claimants. This ensures curbing the unethical practice of not registering claims until receiving the requirements at the branch levels for avoiding delays. The company has Claims Review Committee for redressing the customer complaints. The company's
Service Index Meter is unique and awards debits to the operation staff for deficiency in service standards in three major areas namely:

1. Policy servicing including, customer complaints, nominations, assignments, fund switches, top up data entry, opening of the offices sharp at 9 am, claim settlement, free look cancellations and settlement of Fund withdrawals with in the stipulated time frame.

2. New business including turn around time for dispatch of policies, correctness of data in the policy contract (policy bond) etc.

3. Renewals including calling of all customers, follow up and achieving renewal targets.

The company expects to generate trust in the minds of the customers with the tool of Service Index Meter (SIM) which is the basis for the appraisals of the operations staff.

The other life insurance companies also have similar hassle free claim settlement procedures suiting to their convenience for building and sustaining the trust levels.

**4.10.4 Introducing innovative products:**

While most of the individual products of life insurers are being sold for the rural population, there are certain segments of rural India (have-nots) having special need and requirements. These
segments are exposed to special risks of seasonal incomes, vagaries of monsoons and such other risks. Some companies have devised special products catering to these segments.

The Life Insurance Corporation of India has a unique plan, 'New Jana Raksha' for addressing the needs of this segment of cultivators and agricultural labors. Under this plan if premiums are paid for at least 2 years and subsequent premiums are not paid for any reason, the policy is kept in force for 3 years from the due date of the first unpaid premium and claims are settled by deducting the unpaid premiums, if any at the time of settling the death claim. Further if the policy is not resulted in to death claim, the policyholder can pay premiums for one year, two years or 3 years depending upon the income available with him. Once this is paid, the policy shall remain in force for another 3 years. This innovative product is designed for the specific needs of agricultural farmers whose annual income timings are unpredictable. (Source: LIC Agents’ Manual)

Bajaj Allianz Life Insurance Company has a special unit linked plan called Family Gain, the premiums of which are invested in funds that are approved by Shariyat principles. These funds, in other words are not invested in companies dealing with gambling, liquor, entertainment, contests, films, TVs, hotels, banks etc which are against the pious Muslim tenets. This plan is positioned for pious Muslim sector who do not want to earn out of gambling, racing,
liquor business etc. Even though this plan is for both urban and rural India, it can be sold in rural areas where ever there is good percentage of pious Muslim population. (Source: New Family Gain pamphlet) taken from Bajaj Allianz Product Specs developed by Product Development Department, Page No.12.

Max Vijay has an innovate product designed by Max New York Life for financial inclusion of under privileged masses. Keeping in view the savings and protection needs of the people, three premium payment options are provided with minimal premiums of Rs 1000/, Rs 1500 and Rs 2500 per year. Renewal premiums can be paid from Rs 10 to Rs 2500 per day depending upon the availability of the disposable income. The policy does not lapse as long as there is sufficient value in policy account. No medical report is also required. (Source: Max Newyork Life website)

4.10.5 Leveraging the synergies of other financial and social institutions to enhance sales promotion.

Convergence in financial services is a global phenomenon and this convergence gained momentum in 1990s after liberalization, globalization and privatization and became part and parcel of the economic system. Many banks like HDFC, ICICI and SBI entered into life insurance business which is not their core competent activity. Similarly LIC started mutual fund and housing finance. The process continued and takes the form of leveraging synergies on each of their
As discussed in 4.7.a., the life insurers have taken the path of bank assurance channel to promote their rural business. Most of the rural bank branches are roped in by one or other insurer to maximize sales volumes and meet the rural obligations prescribed by the IRDA. Even LIC of India, the business of which from bank assurance is less than 2% of its total business has tied up with 31 banks having 10,175 outlets as at 31.03.05. Aviva Life Insurance made strategic partnership with micro finance institutions (MFI) for providing micro insurance to rural customers. It has three pronged bank assurance approach-

- Indian banks with extensive reach.
- Multi national banks for HNI customers.
- Regional Indian banks to cover rural areas.

The synergies available to each partner helped in the growth of life insurance market. All major private players have strategic alliances with different sets of banks and other financial institutions and micro finance institutions. The table 4.15 illustrates the point.

**Table-4.15: Showing the bank assurance with various life insurers.**

| Name of the life insurer. | Collaborated banks. |
### Sales promotion campaigns by devising suitable incentive / reward systems to intermediaries for rural business:

For promoting rural business, the IRDA has relaxed the qualification criterion for becoming a rural agent. When the minimum qualification for becoming an urban agent is 10+2 standard, for rural areas it is sufficient if the candidate has passed his 10th Std.

LIC of India has also launched a special agency channel exclusively for rural markets. These agents are called Rural Career

<table>
<thead>
<tr>
<th>LIC of India</th>
<th>Corporation Bank, IOB, Andhra Bank, Central Bank of India, Oriental Bank of Commerce, Bank of Maharashtra, Vijaya Bank, Sahara Bank, Centurian Banket, District Central Cooperative bank etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SBI Life Insurance Company</td>
<td>State Bank of India</td>
</tr>
<tr>
<td>Bajaj Allianz Life Insurance Company Ltd</td>
<td>Standard Chartered Bank and Syndicate Bank</td>
</tr>
<tr>
<td>ICICI Prudential Life Insurance Company Ltd</td>
<td>ICICI bank, Lord Krishna Bank, Punjab and Maharashtra Cooperative Bank, Federal Bank, Syamrao Vittal Co-op Bank, Citi Bank etc.</td>
</tr>
<tr>
<td>Aviva Life Insurance Company Ltd</td>
<td>ABN Amro Bank, American Express Bank, Lakshmi Vilas Bank, Punjab and Sindh Bank, Indusind Bank etc.</td>
</tr>
<tr>
<td>HDFC Std Life Insurance Company Ltd</td>
<td>HDFC Bank</td>
</tr>
<tr>
<td>Met Life Insurance Company Ltd</td>
<td>J&amp;K Bank, UTI Bank, Dhan Lakshmi Bank and Karnataka Bank</td>
</tr>
</tbody>
</table>

**Source:** Websites of different insurance companies.
Agents (RCAs). A person aged between 18 and 35 years with a minimum qualification of 10\textsuperscript{th} standard can enroll as RCA (Rural Career Agent) after undergoing 50 hours training and successful passing of the test conducted by IRDA. The RCA is eligible for incentive apart from a stipend of Rs 750 per month in the first year and Rs 500 per month in the next year. He is also eligible for regular orderly commission.

Tata AIG developed a model called 'Community Rural Insurance Group'(CRIG) model for popularizing its micro insurance products. The CRIG is registered as a partnership firm. The CRIG members are basically women since they come from SHGs whose members are women. They have wide access to large number of potential policy holders because the members of SHGs are already accessing financial services and making regular payments. The leader of the CRIG is given agents' license as per IRDA regulations. The advantage of this model is that the Tata AIG can leverage the salesmanship of all group members for insurance canvassing by giving training and license to the leader of the group alone. This facilitates lowering start up costs since the proposals collected from the entire group are submitted to Tata AIG by the leader of the group. This model is cost effective when compared to appointing individual micro insurance agents. (Source: Ibid: Craig Churchill)

Om Kotak Life insurance has set up a separate rural business division headed by a Senior Vice President. The company finalized a
deal with Rural Relations, a Pune based agency with an excellent network of rural volunteers, to recruit agents for the company. The Rural Relations, with its huge data base, contact the prospects and arrange interviews through its HR Manager and Sales Manager. Then the selected candidates were put to IRDA stipulated training of 20 days at Pune. During the training period, Rural Relations coordinators interact with candidates on daily basis to solve their problems and answer their doubts. These efforts yielded results and there was a good pass percentage of the candidates. (Source: Website, Rural Relations, Pune.)

4.10.7 Social marketing with a view to gain to attention of customers, particularly of rural areas:

Social marketing is the systematic application of marketing, along with other concepts and techniques, to achieve specific behavioral goals for a social good. Social marketing can be applied to promote merit goods, or to make a society avoid demerit goods and thus to promote society’s well being as a whole. For example, this may include asking people not to smoke in public areas, asking them to use seat belts, or prompting to make them follow speed limits (Source: http://www.social.marketing.com/whatis.html).

Using the benefits and of doing 'social good' to secure and maintain customer engagement is the central idea in social marketing. In 'social marketing' the distinguishing feature is
therefore its 'primary' focus on 'social good', and it is not a secondary outcome. Not all public sector and not-for-profit marketing is social marketing.

The LIC of India has used this marketing technique to enhance its brand image and its rural penetration. As discussed earlier, the Bima Grams, Madhur grams etc are oriented in this direction. On each LIC anniversary day many branches of LIC conduct competitions for school going children on topics related to insurance and distribute prizes on the last day of Insurance Week. In rural areas, apart from village elders, the school and college going children influence purchase decisions of the elders. They are viewed with respect by the parents in the rural areas. The concept of BimaSchool also aims at educating school going children about the concept of insurance so that the idea spreads in the rural areas (The Hindu, 2nd sept, 2008).

Apart from the above, the Government of India in collaboration with the LIC of India has launched certain social security schemes such as Janashree Bima Yojana, Shiksha Sahayog Yojana and Krishi Shramik Samajik Suraksha Yojana (Ministry of I&B, Year Book 2006). Apart from providing social security, these schemes act as catalysts and the idea of 'Insurance' is marketed to the advantage of the company.

In order to know the socio economic profile of the jurisdictional villages, the LIC of India devised the strategy of preparing branch profile for each of its branch. The branch profile consists of the data relating to caste/ religion composition of the
village, the dominant economic activity, occupational details, rural artisan industry details and such other socio economic details. The marketing department can peruse through it for making agent recruitment decisions for tapping the potential market segments. Since religion/ caste play significant role in buying decisions, planting the agents from the same strata help in developing marketing activity of that area' (Ibid: New Horizons in Planning, Path to Progress, 1990).

4.10.8 Innovative publicity and advertisement mechanisms to attract the attention of the customers of rural areas:

There is subtle difference between publicity and advertisement. In advertisement we often explore dreams, desires and felt needs rather than bland realities. In publicity the realities are projected. Publicity is an activity of securing editorial space as against paid space in all media that is read, viewed or heard. All insurance companies are making use of these tools for furthering their business volumes.

LIC of India exhibits prominent hoardings depicting its products in prominent village centers where people converge in large numbers. The prominent headings in local language like, 'A young man's privilege', 'Life after death', 'Life begins at 50', 'Trust, thy name is LIC', 'You pay less for insurance' etc are ensured to be visible from long distances.

The advertisements of insurance companies in the news papers exhorting them to pay renewal premiums act some sort of reminder to the customers.
The awards of best trustworthy brand, the awards of its claim settlement record etc are used as a good publicity tool to promote the brand of LIC. The figure 4.4 shows the awards of LIC of India put in its website prominently as tool of publicity. The figure 4.5 available in the website of LIC of India shows the appreciations it got from the Finance Minister which is being used by the company as a tool of publicity.

The hoardings of private insurers are restricted to metros and towns. They are relying mainly on TV and radio ads, event managements etc.

Ad Ex /India, a Division of TAM Media Research findings with regard to advertisement by life insurance companies in 2007 are as follows:

1. In the insurance sector, life insurance contributed 76% of advertising in print media in India.

2. Life insurance advertising dropped by 25% in print during 2007 when compared to 2006.

3. Private insurers took 55% share of over all advertising of life insurance in print.

4. LIC of India and Bajaj Allianz Life Insurance company maintained their first and second rankings in 2006 and also in 2007.
Figure-4.4: Figure showing the awards secured by LIC of India put in its website as a tool of publicity.

Source: LIC website.
“In the year 1956, 245 Indian and foreign companies were nationalized and today, the three letters ‘LIC’, stands as a synonym for insurance, for services, for excellence in strengthening the economic fiber of this country. I dare to say that no other three letters taken together are more recognized to the length and breadth of India than LIC.”

“The performance figures of LIC give an indication why LIC is dear to us, why LIC is a jewel in our crown and why we will continue to nurture LIC and grow it into a great organization rendering service to the people of India.”

“LIC’s footprints are now to be found in many other countries in the world. Wherever Indians go - and they go everywhere now, wherever Indians are welcome - and they are welcome in every part of the world, wherever Indians settle down – they have found many new homes, wherever Indians excel – and they excel in every walk of life, they want LIC – they want LIC to protect them, to look after their savings, and provide for protection as well as their retirement.”

P.Chidambaram
UnionFinanceMinister

Excerpts from speeches at the inaugural function of LIC’s Golden Jubilee Celebrations.

September 1, 2005.

(Source: LIC website.)
4.10.9 Training of the field people to meet the challenges of insurance marketing in rural areas:

As discussed already, the rural markets are different from urban markets. The needs and aspirations of the rural masses are different. There is, therefore, a necessity of trained persons to deal with this segment of population.

In LIC of India all designated branches have an Agents Training College (ATC) with an Administrative cadre officer officiating as Principal. The ATC takes care of the needs of the 50 hour training for IRDA examination candidates. It also provides 25 hours training to for renewal of license to the existing agents. The Rural Career Agents (RCAs) are trained in this center for facilitating them to act effectively in rural areas taking in to consideration of the needs and necessities of the customers(Source: http://www.licindia.in/join_our_team_guidelines.htm).

The operational staff is given training at Divisional Training Centers (DTC), Zonal Training Centers (ZTC) and at Management Development Center (MDC). The principals of the Agents Training Centers are given special training called Trainers' Training by sponsoring them to National Insurance Academy (NIA), Pune (Source: LIC of India, Corporate Policies).The ICICI Life Insurance has designed a special course material for its agents and provides
certificates for the qualified agents (Source: The website of ICICI Prudential Life Insurance Company).

The other private insurance companies have Training Vertical Departments (TVDs) and there used to be a qualified trainer at each Divisional office. The role of the trainer is to train all the insurance advisers and sales managers in ULIPs, new products etc.

4.10.10 Deploying IT solutions aiming to meet the rural customer expectations.

Many IT initiatives launched by the life insurance companies in the last few years aim at collecting renewal premiums through ECS, Internet, bank outlets, direct debit etc. The digitalization of the proposal and policy papers aiming at policy servicing at any branch helped in meaningful customer service. LIC of India initiated a unique project of creating customer folio numbers to policy holders having more than one policy. This helped in knowing the insurance profile of any customer and acted as a tool for canvassing repeat sales. The data warehouse project helped CRM department for introducing “intelligent” customer contact program. The campaign targeted young and dormant customers with past history of regular insurance. LIC also initiated “Customer Loyalty Program” with IT support with a view to providing differentiated services by targeting select group of customers. The criterion for selection was based on length of association, frequency and volumes of purchase etc and nomenclature as Gold Club Source: [http://freepress.in/insurance/lic-introduces-gold-club-membership-for-its-customers/](http://freepress.in/insurance/lic-introduces-gold-club-membership-for-its-customers/).
Bajaj Allianz perfected its robust IT for customer service and sales. It introduced an online ULIP product called I Gain which can be taken through Internet. Aegon Religare also has launched Internet enabled term assurance plan that can be taken online.

The companies, on the whole, have no exclusive IT initiatives for rural areas. The IT initiatives like Internet option of premium payment, ECS method of payment, online premium payment and online purchase of policies broadly cater to urbanites and rural people are mostly not covered by these initiatives owing to low levels of insurance awareness and lack of supportive banking mechanism. For example, ECS can be operated in selected urban centers only.

“As per government data, the total English literate population is only 91 million and the total computer literates are only 87 million. Nearly 25 percent of Indian population stays in cities, out of which 32 percent are computer literate. People in rural areas are not aware of how useful Internet can be to them. Educating people and creating awareness about the benefits of computers and bringing user friendly applications, may be in local languages, can also help”. (Ajith Athrady, Consultant, Telephone Regulatory Authority of India).

4.10.11 Relaxations in claims settlement to generate good will among the public:

Liberal and timely settlement of claims generates good will among the public. The companies which practice and perfect liberal and timely claims process will gain trust among the public. Normally
the policies lapse if premiums are not paid within the days of grace which is normally one calendar month from the due date for all modes of payment, except monthly policies for which the grace period is 15 days. But all companies settle death claims if the death occurs within 6 months or one year from the date of first unpaid premium provided the policy has run for 3 years or 5 years respectively. If it is an early death claim, i.e., if the death occurs within three years from the date of risk, the companies will not settle death claims if the policies are lapsed. LIC of India felt to relax the rules with regard to early claims as follows:

- If the policy has run at least for 2 years and death of the customer occurred within 3 months from the date of the first unpaid premium, full sum assured with bonus, if any is paid to the claimant by recovering the unpaid premiums for the policy anniversary.

- If the policy has run for at least 2 years and death of the customer occurred within 6 months from the date of the first unpaid premium, half of the sum assured is paid without bonus.

- If the policy has run for at least 2 years and if death of the customer occurred within 12 months from the date of the first unpaid premium, notional proportionate paid up value is paid to the beneficiary.

The above three relaxations are referred as relaxations under chairman guide lines and settled as ex gratia claims. These liberal
provisions help in the settlement of large many cases which otherwise should be declined. A sense of trust with the company is reinforced if a claim, which under normal circumstances is not payable, is paid. (Source: V.V.S. Rama Sharma, The Stream published by LIC of India). This subtle marketing strategy on the part of LIC of India is worth emulation by other companies.

“The claim settlement ratio of LIC was better than that of the private life insurers. While LIC settled 95.48 per cent of claims intimated to them during the year (2008-2009), the private life insurers settled 82.26 per cent of their claims. The percentage of repudiations for LIC was quite low at 1.33 per cent as against 9.97 per cent for the private life insurers.

While LIC has settled 99.76 per cent of group death claims, private insurers settled 92.51 per cent”. (Page no 15, IRDA annual report 2009).

4.11 Deficiencies or drawbacks in the current marketing techniques in furthering rural market penetration:

Marketing is not an end in itself. It is a strategic tool for helping customers in achieving their overall objectives. The 4 Ps of marketing ultimately aim at providing solutions to the customer needs and requirements. When looked from the rural prism, the success of life insurance marketing management is a reality when
there is financial inclusion, social security and happiness among all the people at the bottom of the pyramid.

The current marketing techniques of life insurance companies can be evaluated on the score card of rural coverage since rural India constitutes 72% of the Indian population. As discussed already in this chapter, on this score, the companies have not fared well. The huge untapped potential is still untapped and the rural coverage is as low as 25%. What could be the reasons?

- The success of life insurance companies are now being evaluated on the basis of premium incomes and not on number of policies (NOPs). Even if NOPs are looked into, there is a tendency to compare rural obligations set forth by IRDA and the achievements of the companies on rural NOP front. As long as the companies sell the prescribed minimum NOPs, it is deemed that the rural obligations are met. As long as companies view rural coverage as an 'obligation' to be achieved, rural coverage is a distant reality. The need of the hour on the part of marketing management is inclusive growth in stead of meeting rural obligation. As C.K. Prahlad rightly puts it, “BOP (bottom of the pyramid), as a market, provides a new growth opportunity for the private sector and a forum for innovations. Old and tired solutions can not create markets at the BOP”.

- The insurance awareness programs of life insurance companies are far from satisfactory.
OECD (2005), in a study defined financial education adapted to the insurance sector as the process by which individuals improve their understanding of risk, insurance products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to:

- Become more aware of insurance and financial risks and opportunities
- Make informed choices
- Know where to go for help
- Take other effective actions to ensure an adequate coverage of their risk-exposure profile on the long run.

By this definition, the rural people in India are yet to go a long way. 40% of rural India is media dark. They are, therefore, ignorant of the concepts of life insurance, the products available, the special features of the policies that are advantageous to their needs and requirements etc. The mobile vans with insurance literature programs of LIC of India are very few and organized at a few village centers only. Each divisional office of LIC with a jurisdiction of 2 or 3 districts will be equipped with one or two vans catering to the needs of 3 to 4 thousands of villages. The publicity vans hardly cover 5 to 6% villages in a year. The private insurers have not shown much interest in insurance awareness camps in rural areas.
• Rural masses are brand conscious and value the brands meticulously. At the same time they are extremely value conscious by necessity. Much research has not been done whether private life insurers have built their brands in the rural areas. Going by the volumes of their business, it is evident that four top private players are commanding nearly 60% of the private insurance market. Sixteen and odd private players have low volumes of business and some of the names are not in tune with Indian rhythm (Future Gerereli, Star Union Dai Ichi, Aegon Religare etc). LIC is successful in creating a niche for itself in brand building. It is rated most trusted brand by consumers for quite a number of years as discussed already.

• Most of the rural populace still view private companies with mistrust. An analysis by Pooja Chauhan revealed that majority of the customers do not feel that investment in private companies is safe. She has concluded that ‘LIC being a government agency has got a faith of Indian mass. People are not yet prepared to give their savings in the hands of private players’. Private companies approaching the rural markets must focus on building trust among the rural people. In this parameter, the private insurers are not quite successful. A survey conducted for a sample of 500 rural customers as part of this research, which is discussed in 5.6 also revealed that 61.8% of the respondents felt that investment in private companies is unsafe. The Cap Gemini World Insurance
Report reiterates this as follows: 'In general, customers in India value the brand name and trustworthiness of the service provider more than any other factor when purchasing an insurance product. This attitude has helped incumbent life insurer LIC protect much of its market share (it still accounts for 80% of premiums written) even after 6 years of liberalization.

- The products of life insurance companies are broadly on the assumption that one size fits all strategy. All products that are projected in urban India are also sought to be sold in rural areas. The products designed exclusively for the rural poor are very few. Process innovations and hybrid products are critical for rural people. For perfecting process innovation and devising hybrid products, a strong logistics support is very much necessary. For innovations, the life companies need to invest further for developing logistics departments which makes them feel that process innovation is an unviable adventure. As K.C. Mishra rightly puts, 'they have to continuously change their product and underwriting portfolios and the insurers will run for cover as their archaic product models will become as useful as arrows in the era where even gun powder is passé'. (K.C.Mishra, Yogakshema, September, 07)

- Most of the private insurance companies are relying on alternate channels and bank assurance for pushing their sales targets. Though this step is laudable from company business perspective
and also for wider rural coverage, it tends to distance the company from the customers. There is an intermediary, viz, bank or alternate channel relating the customer to the insurance company. In marketing parlance we have 2 models, ‘Fishing’ and ‘Farming’. In the former, the sales guy spreads the net to pluck out as many fish as possible. Once the pond is free from fish, he moves away from the pond. In the farming, the land is cultivated and harvested again and again to get the harvest. A committed agents force act as brand ambassadors for the company and help in generating the needed brand image and connect the tryst with trust that is essential for a business to prosper. A committed agency force resort to the technique of ‘Farming’ which is very much essential to any company and more so for insurance companies. For more rural coverage a blend of both with appropriate mixture is needed.

- In the area of social marketing the adoption of villages by way of Bima Grams, Madhur grams etc are at a very slow pace. Much attention is not given to develop the villages as Bima Grams by LIC of India. The private insurers have not thought of this program at all. No company except LIC of India has ‘Branch Profiles’ at each rural branch to know the black spots (where there is no presence of any agent of any company). The so called branch profiles of LIC of India are also not updated every year to assess the potential vis-à-vis the achievements. The sales budgets in all companies are still given in prosaic fashion not in tune with the potential of the area covered. The agricultural statistics, the
incomes available, the size of the family, the complexity of needs of the household, the credit borrowing of the households etc are not documented every year to know the profile of the jurisdictional area before the sales budgets are given to the sales managers and all sales managers are appraised on common platform and there is no weightage for developing a rural village.

- The training inputs to people covering rural areas are far from satisfactory. The trainers are trained in product features of the company and adept in general selling techniques. It is an undisputed fact that micro insurance is a good means of rural coverage. Micro insurance requires different products and different business models suiting to the local flavor. A regular trainer of commercial insurance is not adept in imparting training to the sales teams in this environment. No thought is given to establish an academy exclusively for micro insurance on the lines of National Insurance Academy, Pune. The syllabus prescribed for 50 hours training by the Insurance Institute of India to agents has no chapter on rural specifications.

- The life insurance companies have not experimented with exclusive IT solutions for the rural areas as was done by ITC (E Choupal), n-Logue communications, project i-Shakti of HLL, Inagriline by EID Parry etc. The current IT initiatives of ECS collection, direct debit to saving bank account are workable in urban environment. Insurance is basically information processing business and the raw materials include customer data, premium
payment details, claim records and settlement details etc. In rural areas, due to low levels of awareness, more proactive IT initiatives can be thought of. For example, rural customers may find it difficult to register claims or directly communicate with the insurer without the help of an agent. The insurers can think of supplying a few sets of bar-coded stickers to each customer and the customer or claimant can dispatch a sticker to the insurer whenever he needs help. On receiving the sticker, the company can send its representative to the doorstep of the customer for help. The availability of PCs at the Kiosks can be effectively made use of by the companies for video conferencing with the rural customers.

4.12 In the above paragraphs an attempt is made to analyze the secondary data to study the rural insurance market, its potential, the achievement of the life industry in tapping the potential, the current marketing techniques of the companies, the deficiencies of the companies etc. A thorough evaluation of the marketing techniques of life insurance companies is made to compare them with the results of the primary data in the chapter 5 with a view to recommend suitable marketing techniques for better rural coverage.