6.1 In Chapter 5.1. The results of the primary data obtained from 500 policy holders – 250 each from Kolar rural and Bangalore rural districts are tabulated and were analyzed through charts and pie diagrams. The analysis was done on the basis of twenty eight parameters as discussed in chapter 5. The results of the secondary data were analyzed in chapter 4 with regard to insurance awareness levels, expectations of the customers, knowledge levels of agents, efficacy of advertisement and promotional activities, factors influencing customer satisfaction, pattern of insurance canvassing, the rural IT initiatives, factors influencing purchase decisions, rural potential vis-à-vis the utilized, the penetration levels of the rural areas by the life insurance companies, the current marketing techniques of the existing life insurance players and the strengths and inadequacies in the marketing techniques vis-à-vis the rural social objectives and such other issues related to the study of rural life insurance market.

Since the objectives of the study centre around the study of rural life insurance market in India, an attempt is made in this chapter to thoroughly discuss the results of primary data and the
results of the secondary data towards achieving the objectives. Therefore, in this chapter, the results of Chapter 4 and Chapter 5 are discussed under the following headings:

6.2 Discussion of the results:

1. Life insurance awareness in rural areas and the initiatives of the life insurance companies in improving the awareness levels.

2. The knowledge of regulatory mechanism (IRDA) in orderly regulation and development of insurance market among the rural populace.

3. The security perceptions of the rural customers over their investments by way of premiums in government and private life insurance companies.

4. The role of caste/religion/sex of the agents in influencing the purchase decisions of the rural customers.

5. The role of opinion leaders and village elders in moulding the purchase decisions.

6. The relationship between the satisfaction levels and the decision for repeat sales in the rural areas.

7. The marketing techniques of the life insurance companies in designing the need based products tailored to suit the specific requirements of the rural population.
8. The potential of pension market and the evaluation of marketing techniques of life insurance companies in tapping this market segment.

9. The demand for insurance coverage of liabilities and the supply levels of the products meeting the specific need.

10. The innovative collection mechanism of premiums and the techniques of life insurance companies.

11. The marketing techniques with regard to alternate channels of business, direct marketing and bank assurance for the objective of rural coverage.

12. The motivational factors for the rural push/ wider rural coverage required for the agents.

13. The raising expectations of the customers and the training techniques of the life insurance companies in equipping the agents and reduce the attrition levels.

14. The IT initiatives of the life insurance companies aiming at wider rural coverage and the evaluation of the IT strategy.

15. The short term and long term techniques for wider rural coverage.

6.2.1 Life Insurance awareness in rural areas and the initiatives of the life insurance companies in improving the awareness levels.

While collecting primary data from 500 rural customers- 250 each from Kolar and Bangalore rural district, certain specific
questions such as ‘Do you think that insurance is necessary for an individual?’ (Question no 10), ‘Do you know that different life insurance companies have designed policies for your different needs?’ (Question no 17) are asked. Even though, only 2 out of 500 respondents felt that life insurance is not required by them, many respondents are not aware of the existence of products of private life insurance companies. 89 respondents constituting 35.6% of Bangalore rural and 78 respondents constituting 31.2% of Kolar rural are not aware that private life insurance companies have products suiting to their needs.

In the questionnaire designed to agents, a specific question was asked to 100 agents each from Bangalore and Kolar as to what would be the hurdle in selling policies in rural areas (Question no 10 of the agents). As table 5.4 shows, 26% of Bangalore rural and 55% of Kolar rural respondents felt that lack of insurance awareness is the hurdle in selling policies in rural areas. The response of agents also concurs with the response of the policy holders. In order to analyze the effectiveness of advertisement by private companies in rural areas for ensuring the attention of the customers, a set of seven question (58a to 58f) were posed to the customers and were analyzed vide table 5.34. The conclusions are that the advertisement of life insurance companies in rural areas is very low and average percent of preferences on all variables is 32.46% only. From the above, it can be concluded that awareness levels are very low with regard to the
products of private life insurance players and the effect of advertisements are not felt in the rural market. Further in order to analyze the awareness levels of products, responses are obtained for a set of seven questions (Q.no 55a to 55g) and analyzed vide table5.31. The conclusions are that the rural people are less aware of the structure of ULIPs, claim procedures, methods of surrender of policies and they could not differentiate rural insurance and micro insurance.

The current marketing techniques of LIC of India and private companies in generating awareness in rural areas are discussed in 4.10.1. LIC of India experimented with publicity vans, film shows, puppet shows and such other activities in rural areas. The limitation with this type of programs is with sheer size of rural population and the number of villages. No single company can visit all the 6lakh plus villages and explain about the insurance. The awareness programs of other private insurance companies as discussed in 4.10.1 are limited to very few villages in the country and can not be treated as awareness generation programs.

LIC also experimented with ‘Bima Grams’ and ‘BimaSchools’ as part of its social marketing strategy which is discussed in 4.10.7. LIC adopted villages and schools as ‘Bima Grams’ and ‘Bima Schools’ to generate insurance awareness in rural areas. This strategy has not been worked out by the private players. As discussed in 4.10.8, LIC of India has publicity department and has taken interest in erecting
huge hoardings at the cluster of villages with slogans catching to the attention of the rural people. The hoardings of private companies are largely restricted to metros and towns. Though all companies are resorting to advertisements in TVs, there is a limitation in media dark zones of rural hinter lands.

**Suggestions for the life insurance companies in enhancing the insurance awareness levels.**

- Raising the awareness of the customer has two fold advantages- it helps in imparting the knowledge of insurance in general and insurance provider in particular. In a country like India where many villages are in the media dark zones, there should be some pro activeness to bring them to the mainstream of the economy. For generating insurance awareness there is an African model which can be emulated by the Indian insurance companies. The model is described in Box 6.1. The broad outlines of this model are creation of a consortium of all insurers and the government for education campaigns by pooling up resources.

The Indian life insurance companies can think of this model for raising the awareness levels of insurance in the rural markets.
The common feature in Indian villages is the weekly market organized at medium to semi medium town for a cluster of villages. All villagers throng there to market vegetables, bullocks, ready made cloths to fashion goods. Villagers who do not purchase anything also used to frequent this market to avoid general drudgery and boredom. This weekly market is a fertile soil to plant ideas. Insurers can make use of this institution by organizing exhibitions. Leaflets can be

**Box-6.1: Creating Awareness: The experience of the South African Insurance Association:**

Under an Industry Charter, South African Insurers have agreed to allocate resources to delivering insurance products to low income households. In addition, they contribute 0.2 percent of net profits for use of financial education. Members of South African Association (SAIA), providers of non life and short term insurance products, decide to collectively deliver a consumer education program, which covers seven themes: money management, budgeting, debts, saving, banking, life and short term insurance and consumer rights and responsibilities. To raise awareness, SAIA has initiated three activities:

- Development of a teacher resource kit targeted at secondary school students;
- A one day financial literacy workshop in rural areas.
- Consumer Net: with 17.5 million people commuting daily, this population has been identified as a priority target group. Several initiatives have been introduced:
  - Television screens have been installed in taxi parks and feature TV spots on the seven themes.
  - Radio stations provide interactive education.
  - 25,000 cassettes featuring music and financial education messages have been distributed at taxi parks; and

Comic books on financial education have been distributed. Source: Adapted from SAIA website reproduced in page no 183 of ‘Protecting the Poor: A micro insurance compendium’, an ILO publication edited by Craig Churchill.
circulated, puppet shows can be organized and pictorial presentations can be made. Rational appeals (appealing to the audience’s self interest), emotional appeals (stir up positive emotions) and moral appeals (appeals to the audience’s sense of what is right and proper) can be made in local tongue with local heroes as characters. The purpose is to reach the customer, relate to his requirement, reinforce interest levels and try to reinvigorate necessary behavioral changes to accept the idea of insurance.

- Insurance Companies Consortium can also think of publishing small monthly magazines to be distributed to rural people at Melas, Markets, Jatras and village Fairs by conducting exhibitions. Innovative attractions like distributing prizes for answering simple questions can be announced to attract the visitors. The monthly magazines can be stuffed with matters relating to wealth management, life insurance and the advantage of life insurance over other savings. It can also highlight agricultural practices, self employment generation programmes in rural areas, government policies for rural upliftment, legal suggestions and other issues to attract the rural people towards the magazines. A model of this type of monthly magazine is ‘ADIKE PATRIKE’ written for and by farmers in Puttur, a small town in southern coastal Karnataka. The model is presented in box. 6.2. Similar experiment is made by Eenadu Group of Publications with their magazine,
'Annadata', an exclusive magazine for farmers and is very popular in rural villages of Andhra Pradesh.

**Box-6.2: ADIKE PARIKE: Written for and by Farmers.**

Adike Patrike is low profile but innovative and imaginative farm journal published from Puttur, a small town in Southern coastal Karnataka. The journal is very popular among the cash crop growers in southern Karnataka and northern Kerala, is now 15 years old: it has not missed any issue so far. A recent survey showed that the majority of Karnataka farmers in these areas are regular readers of the journal and keep the back issues for reference. In addition, many of them write about their own farm experiences in the journal.


6.2.2 The knowledge of regulatory mechanism (IRDA) in orderly regulation and development of insurance market among the rural populace.

Insurance Regulatory and Development Authority is established by an act of Parliament (IRDA Act, 1999) to protect the interests of the policy holders and bring about speedy and orderly growth of the insurance industry in India. People can look for justice if the insurance companies violate the prescribed norms and rules or commit frauds or commit other mal practices. A question (Q. no 16) is asked to all respondents whether they think that their investments in life insurance companies shall be protected by the regulatory body, i.e., IRDA. It revealed that 131 out of 250 respondents constituting 52.4% from Bangalore rural district and 129 out of 250
respondents constituting 51.6% from Kolar rural district can not believe in the efficacy of IRDA in safe guarding their investments. It can be referred from table 5.6 and the chart 5.6.

The security of investments is of prime importance and if there is lack of belief in the regulatory body, it affects investment decision and impinges the growth of industry and also the rural penetration.

**Suggestions for generating awareness towards IRDA:**

The IRDA can unleash a publicity campaign in mass media such as print media (news papers and magazines), broadcast media (radio & TV), electronic media (audio & video tapes to be played in village Panchayats) and display media (hoardings, sign boards and posters). A sense of trust towards the regulatory body can be instilled in the minds of the rural population.

The **IRDA can insist the insurers to print in the policy bonds the Grievance Redress Mechanism available for grievances and the role of regulatory authority in the policy document in a separate ink and font understandable in the local language.** The improved awareness about IRDA can help the rural life insurance customers to develop faith in the deliverability of IRDA.
6.2.3 The security perceptions of the rural customers over their investments by way of premiums in private life insurance companies.

Life insurance is an intangible product and the gestation period is usually very long. Given this unique feature, the rural customers tend to invest their hard earned monies in secured places. With an intention to know the mindset of the rural customer, a question is asked to all respondents whether, in their opinion, investing in private life insurance companies is safe (Q. no 15).

Table 5.5 shows that as many as 161 out of 250 Bangalore rural district respondents constituting 64.4% opined that investing in private life insurance companies is unsafe. From Kolar rural as many as 148 respondents out of 250 constituting 59.2% also opined that investing in private life insurance companies is unsafe. (Table 5.5 and Charts 5.5.1 and 5.5.2).

A specific question is also asked to the agents as to whether the rural policy holders trust private companies as much as they trust LIC of India (Q no 15). 79% of Bangalore rural and 85% agents of Kolar opined that customers do not trust private companies as much as they trust LIC of India. The table 5.7 clearly explains this fact.

A question is asked to the customers (q no 49) whether they feel that the customer has mis sold the policy. As the table 5.15
shows, 51.20% of Bangalore rural and 40.40% Kolar rural respondents opine that the agents have deceived by mis selling the policies.

As the opinion of the customers is in tune with the opinion expressed by the agents, it can be concluded that majority of the rural customers feel insecure in investing with private life insurance companies. The low levels of penetration which is at 25% of the rural insurable population as available from the secondary data (See 4.5) indirectly indicates that the perceptions of the rural customers with the private players play a definite role in investing decisions leading to low levels of penetration. *We can also conclude that the customers do not trust private players as much they trust LIC of India.* It can also be concluded that mis selling is the potential reason for mis trust. The mis trust emanating for wrong selling is uniform with all insurance players including LIC of India. To analyse whether policies are sold on the strength of ‘insurance element’ a set of six questions (63a to 63e) were posed to the beneficiaries and analyzed. The conclusions are that the customers in rural areas are wooed on the basis of investment returns and not on the basis of insurance element and average percent of preferences on all variables is 64.09% and is shown in table 5.39. It indicates that insurance policies in rural areas are sold more as investment products and the agents canvass them by showing benefit illustrations and the supposed benefits at the end of a specified period. Insurance needs
are not clearly taken in to consideration and only a few popular products are always sold.

One reason for low level of trust with regard to private players could be that LIC of India has been operating for the last fifty plus years (since 1956) where as the private players are recent entrants and hence they could have been viewed with apprehension. The second reason could be the natural tendency of viewing the private companies with mistrust (table 5.5). The Cap Gemini report strengthens this argument by stating that ‘after brand, the most influential factor for customers in India is returns/fees consistent with the perceptions of life insurance as a means of wealth accumulation, and non-life as an unnecessary expense. This peculiar way in which customers perceive insurance in India has led many private insurers to penetrate the market by offering innovative life products with higher returns (or lower prices in the case of non-life) along with protection cover’. (ibid: World Insurance Report, 2007).

**Suggestions for behavioral change of customers’ attitude towards the private players:**

The customers are the backbone for the survival of any life insurance company or for that matter any customer centric organization. A satisfied customer is the ambassador for the growth prospects of a company. Any sales push strategy can supplement the sales objectives but can not supplant the long term objective of
building the edifice of a solid organization which is founded on the
trust of the customers. As long as the vital objective is achieved, the
sales can not be viable and economical.

The private players need to boost their sales and operations by
perfecting the Service Index Meters (SIM) with a view to provide the
best service to the customers. The mis selling, if any, should not be
allowed at any cost by all companies. The claims are to be settled
promptly and the policy servicing should be prompt and error free.
There is a need for transparency in dealings and quickness in
disposal of complaints. In a nut shell the companies must
demonstrate their sincerity of customer satisfaction. *One of the
methods can be by writing a simple letter to customers in local
language, preferably after a week from the dispatch of the bond
whether they have read the policy and satisfied with the contents. The
cooling off period can be extended for 15 days from the date of receipt
of the letter by the customer instead of the date of receipt of the bond
which is the current practice.* A disciplinary mechanism should be
introduced in the system to check wrong selling of policies. The
second method is relaxation of rules in claim settlement operations
by the private companies for liberal settlement of claims. The claims
concessions adopted by the LIC of India are discussed in 4.10.11
which can be followed by the private players also.

6.2.4 The role of caste/ religion / sex of the agents in
influencing the purchase decisions of the rural customers.
To ascertain the influence of caste / religion/ sex of the agent in influencing the purchase decisions of the rural customer, a question is asked to all agents whether in their opinion the rural customers are influenced by the considerations of caste / religion and sex of the agent while investing their amounts in life insurance companies (q. no 19). 87% of Bangalore rural and 89% Kolar have opined in positive indicating that caste/ religion/ sex play an important role in purchasing decisions. This has been shown clearly in table 5.27 and also tested by Chi Square test.

A set of five questions (Q no 61a to 61e) were posed to the customers to know the influence on purchase decisions and the responses are analyzed in table 5.37. The conclusions are that the purchase decisions in rural areas are decided more by factors other than the intrinsic values of products as the average percent of preferences on all variables is 86.92% and is shown in table 5.37. It indicates that educated school going children, village elders and opinion makers influence purchase decisions of the villagers. Canvassing policies by a stranger is difficult in rural areas and caste/ religion play an important role in purchase decisions.

Pradeep Kashyap and Siddhart Raut in their book on ‘Rural Marketing’ (page no 58) have noted that caste plays a key role in the behaviors of the community.
From the above primary and secondary data it can be concluded that caste and religion play significant influence on the buyer behavior of the rural population.

**Suggestions to boost sales volumes:**

Some companies have offered products catering to the needs of specific religious communities. Bajaj Allianz Life Insurance Company has a plan, ‘New Family Gain’, the investments of which exclude companies dealing in gambling, contests, liquor entertainment etc. This is a niche product catering to the needs of orthodox Muslim population. The company created a separate department, ‘Family Gain’ and most of the marketing team are from this community. All life insurance companies can think of launching the products of this type and position them for a niche segment. The referred product is described in 4.10.4.

*The companies also should have a socio economic profile for each branch with details of population composition of each village, caste / sex/ religion/ income/ occupation and such other parameters. Basing on the economic profile, the companies should recruit agents from the different socio religious strata to woo the customers of that particular community / caste.* In LIC of India, the branch office sales department will be preparing and updating the socio economic profile of all branches under its jurisdiction which is already discussed in 4.10.7.
The life insurance offices also can think of direct marketing strategy in potentially caste/religion dominated areas of any particular strata by appointing staff from that particular community/religion to tap the segment. This helps in wider coverage of life insurance in rural areas.

The companies should evolve working models to co-opt women working at SHGs and try for a bigger share in the insurance cake.

6.2.5 The role of opinion leaders and village elders in moulding the purchase decisions.

Opinion leaders such as village heads, Surpunches, religious leaders and college going children wield enormous influence on the rural population. There is plethora of secondary data suggesting the influence of village elders on the buying decisions of the rural folk. An opinion leader is one whose word, acts and actions informally influence the actions of others. The leadership comes from social status, caste background, educational advancement and success in public life (like becoming ward member, village president etc). The college going children who are exposed to new age gadgets and urban life are also respected in the villages. ‘YADYADCHARATI SRESHTAHA TATTADDEVETARO JANAJHA; SAYATPRAMANAM KURUTE LOKASTADANUVARTHATHE’ (Veda vyasa in Bhagavadgita). It means, what the leader does, others follow: what is put as ideal by the leader is put as ideal by others’. When translated to sales, what the opinion leaders purchase, others tend to imitate in the socially compact rural environment. The chart of opinion leaders and their
influence both in rural and urban is presented in following Table-6.1 taken from the Rural Marketing Book of Pradeep Kashyap, page no.81.

**Table-6.1: Depicting opinion leaders and their influence on purchase decisions.**

<table>
<thead>
<tr>
<th>Rural</th>
<th>Area of influence.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opinion leaders</td>
<td>Village administration, resolving social and family conflicts, introducing new ideas of farming, purchase of technology products on farming or artisan work.</td>
</tr>
<tr>
<td>Sarpanch/ Gram Pradhan</td>
<td>Village administration, resolving social and family conflicts, introducing new ideas of farming, purchase of technology products on farming or artisan work.</td>
</tr>
<tr>
<td>College-educated youth /</td>
<td>Influence in family and neighborhood, on purchase of durables like refrigerators, TVs and motor cycles.</td>
</tr>
<tr>
<td>Villagers working in urban</td>
<td></td>
</tr>
<tr>
<td>centers</td>
<td></td>
</tr>
</tbody>
</table>

| Urban                        |                                                                                   |
|------------------------------|                                                                                   |
| Film stars                   | Fashion and style                                                                 |
| Corporate executives         | Luxury cars                                                                      |
| Professors and scientists    | Higher education                                                                  |
| Sports persons               | Sports products.                                                                  |

To corroborate the secondary data as above, a specific question was asked to agents (q no 17) as to whether in their opinion the opinion leaders of the village exert reasonable influence on purchase decisions of the villagers. 87% of Bangalore Rural and 90% Kolar rural agents felt that opinion leaders exert reasonable influence on the buying behavior of the villagers. This is analyzed in table 5.28.
As primary data concurs with the existing literature available from the secondary data, it can be concluded that marketing techniques aiming at involving the village elders have definite results in widespread insurance coverage.

**Suggestions for leveraging the influence of village opinion leaders in boosting insurance penetration:**

The best method the life insurers can adopt is to pick the opinion leaders as insurance advisors for boosting sales volumes since these opinion leaders exert great influence in products and services that directly affect their livelihood. The life insurance companies can also look upon the change agents in rural eco system responsible for diffusion of new innovations in rural areas such as young progressive farmers, Kisan credit card holders, rich farmers with big disposable incomes, members of co operative societies and politically influential persons such as ward members for enlisting as financial advisors. What is required at the rural areas is ‘Strata’ marketing involving all strata of rural fabric.
6.2.6 The relationship between the satisfaction levels and the decision for repeat sales in the rural areas.

Sales and service constitute ‘marketing’ and both are not mutually exclusive. In fact, both reinforce each other since servicing cannot exist without sales and vice versa. This is more so in life insurance where the contracts run for longer years, usually 15 to 20 years. The life insurance companies recognize the long standing customers with great respect and perhaps this is the reason why LIC of India awards special bonus called ‘final additional bonus’ to its customers whose policies are in force for more than 15 years as on the date of claim. The degree of speed, quality and care to the existing customers has profound influence on repeat sales since the life insurance contracts are founded on trust, sustained on trust and progressed on trust.

With a view to assess the degree of influence of customer satisfaction level over repeat sales, a specific question was put (Q no 30) to assess the levels of satisfaction on the scale of 20 to 40%, 40 to 60%, 60 to 80% and 80 to 100% to the 500 respondents and evaluated with the purchasing decision of repeat sales on the members of their families (Q.no 32). The results are discussed in table 5.20.1 and 5.20.2 and analyzed through Chi Square test. In Bangalore rural when the level of satisfaction displayed by customers is 20 to 40%, the percentage of respondents taking repeat sales is 16.39%. As the level of satisfaction went up to 40 to 60%, 60 to 80%
and above 80%, the repeat sales also went up to 21.42%, 76.78% and 83.67% respectively. In Kolar area the percentage of repeat sales to satisfaction levels of 20 to 40%, 40 to 60%, 60 to 80% and above 80% are 23.52%, 32.25%, 68.96% and 84.61% respectively.

Factor analysis is also conducted by obtaining responses to seven questions (59a to 59g) from the beneficiaries and analyzed vide table no 5.35. The conclusions are that the customer satisfaction play vital role in the spread of life insurance in rural areas and average percent of preferences on all variables is 79.91%. It indicates that delays in settlement of maturity and death claims will have profound effect on the trust worthiness of the companies. The general ambience of the office, the abilities of the people manning the reception counters and the service rendered by the agents are viewed in rural areas as an index for trusting the companies and for further investment in those companies.

From the above in can be concluded that repeat sales are directly related to customer satisfaction levels. Customer service holds the key for repeat sales and growth of the company. Nurturing the existing customer with good service goes a long way in building relationships and beneficial to both the company and the customer.
Suggestions for improving customer service and thereby sales volumes in rural areas:

The current marketing techniques of life insurance companies are discussed in 4.10.3. They include setting up of Grievance Redress Mechanism, Policy Holders’ Councils, announcing Citizen Charter and such other things by LIC of India and introduction of Branch Service Index Meter (BSIM) by Bajaj Allianz Life Insurance Company. Customer ID code is a concept developed and perfected by LIC of India where in all the policies of a single customer are tracked with the date of birth and father name as variables and a customer ID is created to each customer. This has the following advantages for boosting sales volumes.

1. The receptionist at the reception counter can have broad vision of the customer profile – whether he has high risk appetite, low risk appetite, whether in the habit of taking pension plans, health plan and such other things. Depending on his risk appetite profile the receptionist can suggest latest plans of similar nature. For example if the customer folio is full of investment oriented plans, he can be suggested to go for a latest product of similar type. Conversely, if the customer does not possess any single pension product, he can be suggested with a pension policy.

2. A customer can be recognized as a person and not as a policy number.
3. Comprehensive life insurance solutions can be suggested.

LIC of India also launched a scheme of ‘Gold Club’, the features of which can be seen in box 6.3. This scheme is to be launched in rural areas also.

The life insurance companies need to extend the customer service / customer centric initiatives to the rural sector. They can start establishing kiosks at rural centers (ITC E-Choupal model). In these types of Kiosks they can send electronic reminders for payment of premiums.

A market research of the rural areas has to be taken up with a view to understand the rural market. For this all life insurance companies can contribute and form a consortium for common benefit. A good service can not be given without knowing the needs, necessities, compulsions and such other information of the rural poor. An excellent service creates a demonstration effect whereby the non insured start thinking that the insurer means business, that it is fulfilling the obligations and thereby it is trust worthy. This encourages word of mouth advertising which is available free to the company and which is often one of the most powerful marketing channels.

**Box-6.3: Showing the initiative of LIC of India in customer service**

The customer relationship department of LIC of India launched LIC’s first ever Loyalty Campaign with a view to providing differentiated services by targeting select group of loyal customers. The criterion for selection was based on length of
association, frequency and volume of purchase. In the pilot phase, selected customers of Mumbai Division have been covered. Consent letters have been sent in counterfoil format and each member was given a unique customer ID. The consent letter had a rating sheet incorporated in it with regards to 1) service satisfaction, 2) recommending LIC products to friends / relations. The customer had to rate these 2 aspects on a scale of 10. A total of 80,000 customers were contacted through this consent letter out of which 16,000 responded. These customers are termed as “Gold club customers” and a special service desk called the Gold Club Service Desk has been formed to exclusively cater to their servicing needs at Mumbai Info centre.

To give personalized and unique services, a special on line service desk was constituted at the Mumbai info centre. Four info centre executives have been identified for rendering specialized pro active services to the Gold Club customers on shift basis. The new plan launchings, maturity claim reminders, conversion of lapse policies, helping the customers in utilizing alternative mode of payments, recycling of maturity claims and frequent taking of customer feed backs are the major activities taken at the help desk.

Source: Sayesh Nayak, Yogakshema, November,08.

6.2.7 The marketing techniques of the life insurance companies in designing the need based products tailored to suit the specific requirements of the rural population.

The rural customer is not an extension of urban customer since the lifestyles, attitudes and social lives are different. The rural segment is again extremely fragmented and spread over a large geographical base. The cultural and behavioral differences vary from village to village. As discussed in 4.4, the income variations among villages of different states are quite high. As per Economic Survey (2005-06), the primary sector is contributing only 22.2% of the GDP which means considerable number of rural house holds generate their primary income from a salaried job or some small business. 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 (table 4.7). All the above indicate that the rural India has undergone tremendous structural shift from farm based to service economy. For the success of any marketing strategy in rural India, it is essential to look at micro level in order to achieve the macro objectives.

Hence ‘Once Size Fits All’ strategy simply will not work in rural areas. With a view to assess the opinion of the agents, a specific question is asked whether in their opinion the existing rural insurance products are really designed to suit the specific need of the rural people (Q no 4 for insurance agents). 76% of Bangalore rural and 77% of Kolar rural agents expressed that the products of the existing life insurance companies are not really designed to suit the needs of the rural people. The table 5.17 illustrates this point. A survey was also conducted to the policy holders asking whether they would like to go for ‘family’ policies which are now not available in India (question no 50). 70.4% of Bangalore rural and 68.4% of Kolar rural district policy holders, on explaining the features, showed interest in taking ‘family’ policies. This is explained in table 5.13. Though there is strong desire for family policies covering all the family members, this type of policies are not launched by any company in India. From this it can be concluded that the products of different life insurance are really not according to the specific needs of the rural customers.
Further, in order to understand the requirements and needs of the rural customers, responses for six specific questions (Q.nos56a to 56f) were obtained and analyzed. The results were discussed in table 5.32. The conclusions are that there is strong preference for pension products, group insurance products and the term assurance plans which are cheap. It also indicate that rural people prefer flexible premium payment option plans and multi level marketing methods provided they are properly explained to them.

Further in order to find out the rural interest evinced by the life insurance companies, responses were obtained from the beneficiaries for a set of seven questions (Q. no 60a to 60.g) and analyzed. It showed the responses are lying in between ‘somewhat disagree’ to ‘neither agree nor disagree’ category. It can be concluded that the companies are not really showing any interest in spreading insurance message in rural areas and average percent of preferences on all variables is 57.39% only and is shown in table 5.36. It indicates that all companies have no rural centric policies and all companies have no agents in rural places.
Suggestions for designing products suited to the needs of the rural people:

In order to design a product to rural needs it is essential to carefully analyze the market with reference to socio economic profile of the village, the composition of the people income wise, caste wise, religion wise and a host of such other things. The profile of the family–unitary or joint, number of children in the village, number of elderly persons etc are also to be studied. The needs of each family are to be analyzed at a micro level with the lowest common denominator before designing the product. The broad categories can be shown as follows:

1. Landless agricultural laborers depending on daily labor for sustenance.
2. Farmers depending on agricultural and related activities.
3. Rural artisans.
4. House holds with additional incomes by way of earnings of children working in urban centers.
5. Land lords with lot of disposable incomes.
6. Workers in unorganized sector such as bidi workers, carpenters, cobblers, construction workers, fishermen, handicraft artisans, handloom workers, leather and tannery workers, papad makers, primary milk producers, salt growers, sericulture workers, sugarcane cutters, tendu leaf collectors, toddy tappers, vegetable vendors, flower sellers, washer women etc.
The life insurance companies need to study each occupation and try to find out the common needs of the customers. The size of the family, access to bank account, kisan credit card, access to school education, access to good health care system, the general social habits of the company, the dependency on external factors like monsoons and such other aspects are to be studied. The ICICI Bank model of rural segmentation shown in box 6.4 is in tune with socio economic classification.

**Box 6.4: ICICI Bank segmentation of rural markets**

ICICI Bank segmented the rural markets using the socio economic classification to develop a separate marketing strategy for each of the segments. It identified 4 categories of consumers according to ownership of property and education. The 4 categories are labeled as R1, R2, R3 and R4. The socio economic categories are identified as follows:

- **R1** and **R2**: Rich farmers who own land, have a pucca house and have at least one graduate as a family member.
- **R3**: Middle level farmers who do not own land, have pucca houses and kaccha roofs and have a minimum education of up to standard 5.
- **R4**: The poorest of the farmers who have kaccha houses and roofs and have never had any formal education.

The product offerings to each of these segments:

- **R1**: Farm equipment loan and insurance, saving accounts, high value policies, mutual funds and initial public offers (IPOs).
- **R2**: Working capital loans, crop loans, farmer savings accounts, personal accident and health insurance, weather insurance.
- **R3**: Crop loans, commodity financing, farmer savings accounts, personal accident and health insurance and weather insurance.
- **R4**: Micro Finance, jewel loans, health insurance, weather insurance.

**Source**: Banerjee, Gargi, 2006. ‘Banking the Hinterland’, BusinessWorld 11th Sept, 06
There are no specific set of rules for segmenting the markets and it is left to the imagination of the marketer to segment people for better appreciation of needs and aspirations. Sometimes the behavior of the rural customers needs to be understood in proper perspective as to why they like or dislike a particular product. A case study of the Godrej is explained in box 6.5.

**Box-6.5: Consumer surprises marketer with innovative use of products**

Prathap Roy of Godrej travelled to Istambul, a remote village in Maharashtra, by his company’s van. After the usual hoopla – music, announcement of free gifts-the van made its way to the few shops in the village. There was a surprise in store for him; every shop keeper wanted to lay his hands on all the bottles of hair dye available. Roy discovered that the farmers who brought from the shops did not want the dye for themselves. They were using it to colour their cattle to make them look younger and healthier.


It is imperative for the industry to understand the market and it is necessary to design products for each segment. LIC’s Jana Raksha Plan, Max Vision of Max New York Life and New Family Gain of Bajaj Allianz are plans of this nature catering to the exclusive needs of certain segments of people and it is discussed in 4.10.4. In order to penetrate deep in to rural hinterlands there is a strong case to design lot many products in addition to the above plans as was done in Sri Lanka (Senehasa policy which was described in 4.7.b). For this purpose the companies can also think of group policies for
each special segment or position a traditional individual policy for a specific need. It is also necessary to think of designing ‘family policy’ covering all the family members. The advantages of family policy include the following:

- A family is also a group, and therefore, family coverage will have many of the same advantages as group coverage; larger the numbers, lower will be the adverse selection. The price for a family unit policy is generally lower than the sum of individual policies.

- Very low risk persons of the family can also be included in the family policy there by reducing the risk profile of the insurer. African Life entered the HIV/AIDS- ridden low end market by developing a product in which the family, rather than the individual, was the insured unit.

- If the head of the family who is also a borrower of any loan, this type of policy protect the family members from repayment risks.

- This policy ensures covering all non earning women and children who are otherwise not insurable.

We can find certain micro insurance prototype of a family policies out side India – All Lanka Mutual Assurance Organization’s (ALMAO) funeral policy covering up to 9 people including parents in law. The CARD Mutual Benefit Association (CARD MBA) covers the spouse and up to three children under 21 years.
These micro insurance prototypes can be extended at a macro level by the actuaries sitting in the corporate offices and design need based policies to the people living in villages. ‘Premium Holiday’ products where in the policy remains in force as long as there is sufficient value for risk coverage in policy, ‘Seasonal Premium’ payment policies which allow the premium payments at the time of harvest, policies covering life and general insurance needs covering risk on life and risks associated with crop, monsoon vagaries etc, policies covering life and credit needs, policies covering family needs even after death risk and such other innovative products need to designed and positioned to each target segment.

One more variety of rural oriented low priced policy could be the combination of micro credit, micro savings and micro insurance. The insurer, in this case, provides logistic support to a micro cooperative society dominant in the rural area and the later could be a corporate agent of the insurer. The savings are encouraged from the public and the interest on investments can be used as premium for a group policy which can be a term assurance policy. The term assurance policy protects the maturity value of the micro savings in case of the death of the customer. The credits to the customer can be arranged from the cooperative society for premiums of higher sum assured or for any other purpose and they are also covered by the micro insurance mechanism.
All life insurers need to understand that what is needed at rural areas is emotional security laced with economic security. For example:

- Son’s education is a great investment with an emotional chord running through it and if any product of life insurance company is designed and positioned to secure this need it is bound to catch attention immediately.

- A product allowing periodic payments of regular amounts once in 3 years for the benefit of married daughter strikes an emotional chord since every Hindu household has the custom of offering Vodi Biyyam (a function in which the married daughter is invited to parents’ house and offered with a Silk sari and Turmeric, the failure of not doing this function brings bad luck to the family) to the married daughter once in three years. Even though it is a variation of money back plan, this can be positioned as a Married Daughter Turmeric Policy by paying the money back amounts on the selected auspicious day convenient to the policy holder instead of a date selected by the Insurer. Ensuring uniform payments even after the death of the parents to the married daughter once in 3 years could be a rider.

- All Muslims and Christians distribute gifts on their festivals particularly on Ramjan and Christmas. In order not to have an extra burden on the festival day, life insurance companies can design a policy which allows some portion of premium as withdrawal every year on the day of the festival. If the customer
wants to ensure uniform gifting even after his death, it can be
given as a rider.

- A policy aimed at securing a definite benefit after a certain term
  for a Pilgrimage can be designed with Pure Endowment element
  and marketed in rural areas. A pilgrimage is generally a life
  ambition and can be secured by purchasing a policy.

From the above it can be concluded that there can be a policy
for each need and for each emotion. Once size fits all strategy need
to be re examined by all insurance players and they should start
thinking at micro level for macro benefits.

6.2.8 The potential of pension market and the evaluation of
marketing techniques of life insurance companies in
tapping this market segment:

From the secondary data available with regard to demographic
statistics, which is already discussed in 4.7.C, we find that there is a
big slice available for the insurers in pension segment. The Old Age
Social Income & Security report (OASIS) reveal that only 10 to 11% of
the working population in India has the formal retirement benefit
provisions. The Census reports indicate declining birth rates and
increasing life expectancies over the last few decades. It implies more
‘grey heir population’ in the years to come.

With a view to find out whether the customers in rural areas
are pension conscious, a survey was conducted to the five hundred
respondents of Bangalore rural and Kolar districts. A specific
question is asked whether they feel the retirement planning an absolute necessity (Question no 41). On explaining the features of the policy 96% of the Bangalore rural and 95.2% Kolar rural felt that there is a necessity for retirement provisions (Table 5.11). It can be concluded from the secondary data that there is much untapped potential in the pension segment. The primary data says that there is much demand and interest for pension products. When there is demand and latent potential in the market for pension plans, it is surprising to find the potential highly untapped. As discussed in 5.29 there is a relationship between expectations of the customers and insurance awareness. If these products are properly explained and benefits are properly illustrated, the rural people like to take the policies since they provide cheap policies with a very good insurance element. The methods of direct marketing and multi level marketing which provide incentives to the villagers can become successful if they are properly positioned and explained in rural areas.

We can therefore conclude that the marketing techniques of the life insurance companies are inadequate and lack penetrating thrust which is the need of the hour.

**Suggestions for covering rural populace with pension products:**

When we look at the pension products of different life insurance companies, it is found that they have a very limited rural push. No policy is positioned exclusively for the special needs of rural people. No pension product is rural centric. Further the commissions payable to the agent for pension products are less when compared to endowment plans and perhaps this would be the reason
for the agents displaying lesser interest in selling the pension products. The Insurance Act, 1938 stipulates lesser commission for pension products. Section 40A.(1) stipulates as follows:

No person shall pay or contract to pay to an insurance agent, and no insurance agent shall receive or contract to receive by way of commission or remuneration in any form in respect of any policy of life insurance issued in India by an insurer after 31st day of December, 1950, and effected through an insurance agent, an amount exceeding----

a. Where the policy grants an immediate annuity or a deferred annuity in consideration of a single premium, or where only one premium is payable on the policy, two percent of that premium.

b. Where the policy grants a deferred annuity in consideration of more than one premium, seven and half a percent of the first year’s premium, and two percent of each renewal premium, payable on the policy, and

c. In any other case, thirty five percent of the first year’s premium, seven and half a percent of the second and third year’s renewal premium, and thereafter five percent of each renewal premium, payable on the policy:

Provided that in any case referred to in clause (c), an insurer during the first ten years of his business, may pay to an insurance agent, and an insurance agent may receive from such an insurer, forty per cent of the first year’s premium payable on the policy.
(Source: Amith Bhargava, Taxmann’s Insurance Law Manual)
It can be seen from the above that commission payable for pension plans are much less when compared to ULIPs and endowment plans.

Typical example of commission payable to endowment plan and a pension plan in Bajaj Allianz Life Insurance Company is shown in table 6.2 below:

**Table-6.2: Showing the commissions paid to pension plans and regular unit linked plans in Bajaj Allianz Life Insurance Company.**

<table>
<thead>
<tr>
<th>Name of the product</th>
<th>First year commission in % of premium</th>
<th>Second year commission in percentage of premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Unit Gain Pension Plus (RP)- a unit linked pension plan.</td>
<td>7.50%</td>
<td>2%</td>
</tr>
<tr>
<td>New Unit Gain(a regular unit linked plan)</td>
<td>25%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Source:** BALIC Agents' Manual

Low payment of commission in respect of pension products is one of the reasons for less popularity of pension products. While it is not advisable to recommend higher commission since they affect the bottom lines of the price structure, it is necessary to find alternate methods for popularizing with penetration to the rural populace with upper most objective.

One suggestion can be popularizing a micro insurance product with pure endowment element and purchase an immediate annuity with the corpus amount after a defined deferred period.
It works on the principle of steady compounding from the contributions of the customers without the option of pre mature withdrawal. A person aged 25 starts accumulating Rs 10 per day, by the time he attains the age of 60 he is assured to get Rs 13,56,614 at a nominal return of 12%. A micro insurance product designed on these lines by a life company and marketed through a co operative society where micro credit, micro saving and micro finance are sold under single roof can assure a huge corpus at the age 60 to the customer. With this corpus, an immediate annuity can be purchased by a life insurance company and start paying the pension to the customer.

The second suggestion is to co opt with registered co operative societies, milk unions, ryth bazaars, weavers’ associations, rural cooperative banks, SHG organizations, micro credit finance institutions (MFI) and such other registered group organizations where the rural people usually frequent for economic activities and arrange low priced pension schemes. A prototype of the pension scheme of this nature is ‘YS Abhaya Hastam’ launched by Government of Andhra Pradesh in November, 09 for SHG women, of course with partial government contribution. The model of the scheme can be found in box 6.6.

When life insurance companies enter in to agreements with informal registered organizations, the partial contributions can be collected from the said organizations who in turn adjust the amounts out of savings of the contributory members or out of interest amounts over accumulated savings.

The third suggestion is to sell the pension products in the rural areas through direct marketing channel by the employees of the
companies. Life insurance companies can create separate Pension Vertical Channels exclusively for marketing the pension products in the rural areas.

Finally companies can fix minimum business targets for their sales teams in pension market segment and appraisals can be decided on the basis performance on this count.

**Box-6.6: YS Abhaya Hastam (Co Contributory Pension cum Insurance Scheme) launched by Government of AP to provide pensions to SHG members.**

The Andhra Pradesh government launched the YSR ‘Abhaya Hastam’ (Helping Hand), a co-contributory pension-cum-insurance scheme for poor and low income women in November 2009.

Chief Minister K. Rosaiah launched the scheme, named after former chief minister Y.S. Rajasekhara Reddy, who devised the scheme and formally announced it earlier this year.

Under the scheme for which the state government signed a memorandum of understanding with Life Insurance Corporation (LIC), a minimum monthly pension of Rs.500 would be paid to women members of self-help groups (SHG) who attain the age of 60 years.

Each women SHG member has to contribute Rs.365 a year towards the scheme, while the state government will give a matching grant.

The monthly pension under the scheme ranges from Rs.500 to Rs.2500 per month, depending on the contribution by the beneficiaries and their age.

LIC, which will manage the pension funds, will provide coverage to eligible women SHG members with life cover of Rs.30000 in case of natural death and Rs.75000 in case of death due to an accident.

The authorities have already identified 450,000 women SHG members who have attained the age of 60 years. About five million women members of SHGs have enrolled in the scheme and paid their annual contribution. There are an estimated 10 million women SHG members.

**Source:** Abhaya Hastam website.

**6.2.9 The demand for insurance coverage of liabilities and the supply levels of the products meeting the specific need:**

The financial constraints in rural India make people habitual borrowers in one way or other. The farmers reliance on banking
system has been growing up with borrowings from the banks leapfrogging from 17,835 crore rupees to 47,430 crore rupees from 1992 to 2002. The incidence of indebtedness can be had from the following Table 6.3.

**Table-6.3: Showing the farmers’ reliance on the banking system.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Farmers’ deposits (Rs in crores)</th>
<th>Farmers’ borrowing (Rs in crores)</th>
<th>Number of farmers assisted in lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>26,211</td>
<td>17,835</td>
<td>273</td>
</tr>
<tr>
<td>2001</td>
<td>99,812</td>
<td>43,420</td>
<td>195</td>
</tr>
<tr>
<td>2002</td>
<td>108,233</td>
<td>47,430</td>
<td>197</td>
</tr>
</tbody>
</table>

*Source:* Rural Marketing by Pradeep Kashyap, p no 280.

The raising debts are a liability in case of the premature demise of the borrower and become a burden on the dependents of the demised customer. When these liabilities are insured at the inception of taking the loan, they go a long way in risk reduction to the family members. Due to low levels of insurance awareness, the insuring of liabilities is ignored by the rural farmer. The awareness generation, which is the prime responsibility of the insurer, is to be aimed at sending strong signals among the rural people with regard to the following 4 benefits.

1. **It is to relieve the borrower’s family of the burden of repaying the remaining loan.**
2. **It is to cover the loss that the government/bank may incur upon the demise of the borrower.**
3. *The debt dies with the debtor. The asset out of the debt survives with the survivors.*

4. *The message of former President of India, Abdul Kalam that,*

“security in any facet of life is the primary prerequisite that impels an individual and the society to push forward to get to the heights of social and economic prosperity. Feeling of insecurity would totally dampen any enthusiasm to move forward and would certainly act as a negative factor inhibiting growth, nipping initiatives in the bud” is to be conveyed to all rural people by the life insurance companies.

With a view to ascertain whether the rural people wish to go for insurance to cover the loan risk, a specific question is asked to all respondents whether they like insurance coverage be provided for each loan they borrow from the bank / government and premium be recovered from the loan itself (q. no 46). 146 out of 250 respondents of Bangalore representing 58.4% informed that they wish to have loan protection policies. 188 out of 250 respondents constituting 75.2% of Kolar respondents informed that they are willing to take loan protection policies. This has been explained in table 5.9.

From the above it can be concluded that there is a definite demand for loan protection policies in rural areas to cover the liability risk and there is growing potential for insurers to take advantage of the latent need of the rural customers.
The products of life insurance companies so far are broadly restricted to Home loans such as ‘Jeevan Gruha’ of LIC of India, ‘Loan Protector’ from Bajaj Allianz Life Insurance Company and ‘Met Mortgage Protector’ from Met Life. The gap between the potential available and the potential tapped is huge and if each loan is covered by insurance, it not only boosts sales volumes but also help in wider social coverage. Each loan can be a potential life insurance product provided the life insurance companies design such policies and have linkages with the creditor who is arranging the loans in rural India.

**Suggestions for designing liability insurance schemes for rural people.**

Having come to the conclusion that popularizing the liability insurance schemes can help wider social coverage in rural areas, some suggestions are offered in the practical perspective.

1. **The life insurance companies should educate the cooperative societies for getting formal approval by cooperative members for the mandatory insurance scheme for all loans sanctioned by them.**

2. **The commission that is payable normally to the agent can be paid to the cooperative society to induce them to encourage insurance and for collecting premiums.**

3. **The insurance companies can think of a group policy for all borrowers in case the Board of the Co Operative Society**
authorizes mandatory insurance to all its borrowers. In this model the price for the coverage would be much less in view of low transaction costs.

4. The insurance companies can issue individual term assurance plans for periods synchronizing with the term of the loan by liaison with the creditor.

6.2.10 The innovative collection mechanism of premiums and the techniques of life insurance companies:

The insurance companies have invented innovative premium collection mechanisms in urban areas which include Electronic Clearing System (ECS), direct debit to savings account, Internet payment, credit card swiping, payment of premiums through selected ATMs and salary deductions (Salary Saving Schemes). At least some or all these collection mechanisms work only in urban areas where the banks are the members of Core Banking Group. In rural areas we have customers with or without access to banks and their incomes are not fixed. The incomes are variable, unpredictable and some times seasonal. It is a challenge to design premium collection mechanisms to these people living in the informal economy.

With a view to find out the level of awareness of rural people with Internet payment option, a specific question is asked to all 500 respondents whether they find any difficulty in paying premiums
through Internet with three options, ‘yes’, ‘no’ and ‘not known’ (Question no 42).

In Bangalore rural 42 respondents felt that they found it difficult to pay through Internet. 38 respondents felt that there was no problem for payment of premium through Internet. 170 respondents are under ‘not known’ category which means they are not aware of the process.

In Kolar rural 58 respondents felt that they found it difficult to pay through Internet. 52 respondents felt that there was no problem for payment of premium through Internet. 140 respondents are under ‘not known’ category which means they are not aware of the process.

The results are discussed in table 5.19. 84.8% of Bangalore rural and 79.2% Kolar rural people do not know either the Internet option of payment of premium or find it difficult to pay the premiums through Internet. The analysis as discussed in 5.29 indicates that the interest evinced by the insurance companies has a bearing on Internet usage by the rural customers. As discussed, as the companies show little interest in rural business, it is but natural that the IT initiatives are not understood or used by the rural customers. The conclusions of factor analysis are that the awareness of life insurance in rural areas with reference to IT initiatives is very low
and average percent of preferences on all variables is 27.64% only and is shown in table 5.40.

*It can be concluded that the collection mechanisms of urban areas may not work in rural areas. It is necessary to find suitable alternate mechanisms.* With a view to find out the relationship with income of the household and the expectation of premium payment option, a question is asked to all respondents whether they prefer daily collection premium by pigmy bank method. The results are quite interesting and tabulated and discussed in table 5.12.

51.60% of Bangalore rural and 62.4% of Kolar respondents want their premiums to be collected daily by way pygmy collections. If we analyze the table further, it is evident that the more the income of the family, the lesser is the intention to go for pygmy collection of premiums. 42.4% of Bangalore rural respondents with annual income less than 1 lakh rupees show their willingness for daily pygmy collections. Likewise 41.6% of respondents of Kolar rural with annual income less than Rs1 lakh annual income show their interest in daily collection of premiums. The richer segment with more than Rs 2 lakh yearly income does not want their premiums to be collected daily. 20.8% of Bangalore rural and 18% of Kolar rural with yearly income more than Rs 2 lakh do not want their premiums to be collected daily.
Suggestions for alternate methods of collecting premiums in rural areas:

The following suggestions can be provided for collecting premiums without causing inconvenience to the rural customers.

- It is inferred from the above table 5.12 that the rural agricultural labor can spare a portion of their daily earnings for payment of premium. The richer segment earnings are not on daily basis since they are not daily laborers. The researcher himself is in the field of insurance industry for the last 28 years and in course of his visits to a rural village asked a tea vendor whether he can spare Rs 3000/- a year to take an insurance plan and got the answer that it was highly difficult. For a question how much he can spare daily towards premium, the answer was Rs 10/-. This observation is purely personal and not central to the study. *It can be assumed from table 5.12 that sparing a small portion towards premium may not be difficult but paying a bulky premium at a time is a difficult proportion for the rural workers. The insurance companies need to evaluate and introduce this daily collection mode suiting to the requirement of the rural agricultural labor people.*

- The timing of premium collection is also important aspect in the collection of premiums. The incomes of the rural people depend on their occupations and it is good if the premiums are
collected when the incomes are on hand. For example, farmers who depend on single crop and if they generally reap the harvest in December, it is better to reschedule all premiums for December.

- One more approach could be asking the customers whatever amounts they have towards premium as policy deposits and once the accumulated amount equals the premium the deposits can be adjusted towards the premiums. For this the companies may start issuing customer pass books where all premium entries are recorded and given back to the customer. A prototype of this model is found in South Africa which is described in Box.6.7.

**Box-6.7: Flexible premium payments for funeral insurance in South Africa**

Funerals are major life cycle expenses for low income South Africans and they spend nearly 15 times of their average monthly household incomes on funeral. A common means of funding is through funeral insurance. A myriad of formal and informal insurers compete to sell coverage to the low income market. Some of the informal funeral schemes have adopted flexible premium payment mechanism. When a portion of premium is received, the client’s booklet is stamped and dated. As long as they are up to date with their payments by the end of the month, then the policy remains in force. Some schemes keep the policies in force as long as clients are not more than 3 months in arrears. The use of the booklet is
useful since the customer feel secure with the document duly stamped and signed. It is easy to operate and cheap for the insurer. Flexible premium payment option of this method helps adapt the insurance products to the rural poor.


One more method of collection of premiums in the rural perspective is to finance the premiums by granting a loan on the existing policy. We have a prototype of this method in LIC of India where we come across Loan Cum Revival Scheme. In this loan is calculated as if all the premiums are paid and premiums are adjusted. It is described in Box 6.8.

**Box-6.8: Loan cum Revival Scheme in LIC of India**

As the name itself suggests, it involves two functions, viz, granting of loan and revival of the policy simultaneously. This facility is utilized by policyholders who would like to avail loan to cover the arrears of premiums to revive the policies.

The arrears of premiums required for revival is calculated and the loan available under the policy, treating the premiums as paid up to date as on the date of revival, even if the policy has not acquired surrender value, is calculated and the amount available as loan is utilized to adjust the arrears of premiums. In case any balance of premium is required it is called for. The life assured has to submit evidence of good health, wherever required and also the loan papers duly completed.


- Life insurance companies can take a leaf out of Bharath Petroleum and IOC outlets and the Coffee Day establishment wherein customers are rewarded with bonus points for each purchase at their outlets. Insurance companies pay commissions to agents for each renewal premium that is collected. Part of this commission can be directed towards
incentives / bonus points to the customers who pay premiums uninterruptedly and with in due time. The life insurance company can also think of giving certain rebate in first year premium of a new policy to those customers who recycle their maturity claim amount, survival benefit amount or death claim amount in order to re-establish the relationship which can be christened as Generations Relationship Rewards Scheme (GRRS). This ensures loyalty on the part of the customer towards the company at no extra expense.

- The branches of life insurance companies are located in urban and semi-urban areas. We have more than 6 lakh villages and the people of these villages have either to depend on their agents or they have to go to the town centre for paying renewals. For easy process of collection of premiums insurance companies can tie up with banks who can collect premiums on behalf of the company and remit the daily collection in one stroke to life insurance company. This saves lot of time to the rural customers. We have a prototype of this model in LIC of India which is called ‘Collecting Bank Scheme’. In this the premiums collected by bank are remitted on the same day and the branch accounts department keeps a track for each collection by bank by verifying the counterfoils received from the bank and issue premium receipts. Rural people have
accounts in banks and they will be ready to pay premium at the banks.

- Mobile premium collection vans can go round the villages, particularly on market days and issue spot receipts. This helps villagers to avoid going to offices for the purpose of paying the premiums at the offices located in big towns.

From the above discussion it is established that the life insurance companies can adopt a number of options while collecting the premiums from the customers to keep the customers happy without affecting the business prospects of the companies.

6.2.11 The marketing techniques with regard to bank assurance, direct marketing and alternate channels with the objective of wider rural coverage.

The potential of bank assurance and its under utilization are discussed in 4.7.a and the table 4.1. The table 4.1 clearly shows the under performance of this sector. The under performance is more pronounced with the insurance major, LIC of India. In India, banking channels are selling business hardly to 2% of their captive customers while in western countries the banking channels are collecting premiums from more than 50% of their captive customers. 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. With this huge net work, insurance coverage in rural India could have been more than the present 25%. As at 2004-05,
life insurance funds constitute 12.1% of savings through household sector, 12.5% 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.

Direct marketing is a method in which the company sells insurance policies through its employees instead of through the intermediaries. Direct mails, telephones and Internets are made use of to sell non complicated products such as term assurance and single premium deferred annuities at low cost through these channels. Direct marketing is also advantageous for propagating group insurance plans since it requires lot of interface and support structures like help in enrolling group members, collection and remittance of premiums and such other activities.

With a view to ascertain the opinion of the customers whether they wish taking policies directly from the companies avoiding intermediaries for getting cheaper policies, a question was asked (Q.no 52) to all customers and the results are analyzed vide table 5.8. More than 77% of the Bangalore rural and more than 63% of Kolar prefer to avoid intermediaries provided the cost of premium is going to be less. From this it can be concluded that the direct marketing strategy aiming at selling low premium policies can be popularized if premiums are slashed. This can be a marketing proposition since the cost of procuring the business is less. But this
marketing proposition is to be carefully evaluated for the following reasons.

1. Direct marketing can not happen without cost since it involves payment of salaries to employees who do the job of direct marketing. Acquisition costs perhaps may be more and only larger volumes of business may scale down the cost. If policies run longer, this cost may be offset since cost of renewal commission is saved to the companies.

2. The personal intimacy which the agent generally maintains with the customer gets missed in direct sales.

3. Once products are available in the market at different rates, it may affect business volumes in agency channel.

It is, therefore, necessary for the life insurance companies to look deeper in to this aspect if they want to provide rebate in premiums. One option could be giving more allocations at the inception of the policy or providing extra bonus at the time of maturity.

**Suggestions for maximizing sales through bank assurance channel:**

In 4.7.a. the deficiencies of bank assurance are discussed. One of the identified reasons for inadequate utilization of bank assurance potential is the lack of incentive to the bank branch managers who do business at the ground level. The commission that is payable by the life companies is paid to the bank and not to the bank managers. For the bank manager, the life insurance business is additional work
and not a motivational option. The MOU is between the bank and the insurance company and hence the life insurance company can not bypass the bank in paying commissions to the bank managers. In this scenario, the life insurance companies can think of other options as follows:

- The life insurance companies have to segment the bank assurance market in district level, taluk level, town level and identify the weak spots in terms of volumes of business. Once this segmentation is done, the companies can explore floating competitions to individual bank branch managers and award gifts to those who secure prescribed targeted business.

- Periodic seminars/workshops to be conducted to all the bank managers of the district with a view to update latest products/circulars.

- Posting a life insurance company representative in the branch premises for assisting the branch manager in filling the proposals and to provide training support and maintain the data base.

- Bank customers meeting to be addressed by the insurance company representatives.

- *The products designed for bank assurance need to be simple and easy to understand so that in the absence of the designated person in the bank branch, the other staff members can explain the features to the customers.*

- The Insurance companies can design bank customer specific group policies. All bank customers who take loans from the bank can be covered either by a group term assurance plan or an individual term assurance plan, the premiums of which can be adjusted from the saving bank accounts. The models of similar type are available from the ‘Abhaya’ saving bank
account of Corporation Bank and Vijaya bank saving account. In these schemes all customers of the savings bank account are a group and the bank purchases a group insurance policy for all customers for covering accident benefit. The premiums are paid to the life insurance company out of the interest that is accumulated at the end of the year by way of standing instructions.

**Suggestion for direct marketing:**

The direct channel business is one more critical channel for wider coverage in rural areas. As discussed above, people tend to take direct policies avoiding intermediaries provided the policies are sold cheap compared to policies sold through agents. Sometimes agents get wind fall business when customers walk in to the offices for taking policies. These customers can be encouraged to take life insurance by offering reward points which the customers can redeem at the subsequent purchase of policy, say, after 2 years by way of reduced premium. This is felt necessary to give benefit of doubt and rule out a moral hazard. Genuine customers get benefitted and cost of renewal commission is also saved in this model. The argument that the agent assesses the risk by discreet enquiry of the health prospects of the customers holds no value in the age of telemarketing, Internet insurance and bank assurance (where the designated person who signs moral hazard report might not have seen the customer at all).

**Suggestions for wider rural coverage through alternate channels:**

The performance of life insurers with reference to alternate channels of business is discussed vide table 4.9. It is evident that
the performance is far from satisfactory. For the improved performance there is a necessity for the companies to develop low cost business models and learn to live with the non professional organizations, NGOs, Gram Panchayats, Anganwadis, rural societies and a host of rural organizations for mutual benefit. Community based marketing; value engineering, scaling techniques are to be deployed to make use of the latter’s infrastructure facilities and knowledge of local markets. We have the examples of Microsoft tying up with the NGO Pratham for selling PCs to Indian villagers and Telenor teaming with Grameen bank to sell cellur phones to the customers of rural India.

Jeburman and C.k. Prahlad emphasize the need of convergences at three stages:

- Convergence of standards of practice and the emergence of regulatory frame works.
- Convergence of brands, marketing and communications and
- Convergence of professional cadres and career paths.
The model given out in figure 6.9 is as follows:

**Figure-6.9: Showing how companies and NGOs find common ground.**

**How Companies and NGOs Find Common Ground**

<table>
<thead>
<tr>
<th>CONVERGENCE AREA</th>
<th>EXAMPLES</th>
<th>CHALLENGES AND INNOVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>CORPORATE</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>NGO</strong></td>
</tr>
</tbody>
</table>
| Pooling knowledge, competencies, and relationships to build new operating standards and regulatory schemes. | > The Apparel Industry Partnership  
> The Forest Stewardship Council  
> The Maine Stewardship Council  
> The Kimberley Process | To move from adhering to individual company standards to compliance with industry-wide standards. | To move from spearheading embusiness campaigns to creating, promoting, and jointly administering standards. |
|                 |          | **Innovative responses**     |
|                 |          | **Companies are**            |
|                 |          | > Defining standards through negotiations with NGOs.  
> Building the ability to participate in global and local NGO networks, forums, boards, and so forth. | **NGOs are** |
|                 |          | > Defining standards through negotiation with companies.  
> Learning to understand microlevel industry operations in, for example, forestry, fishing, and mining. | |
| Leverage each other’s credibility and social networks to create access to markets and brand value. | > Companies have set up cause-related marketing as a new area of specialization.  
> In 2006, companies spent $1 billion in North America on cause-related marketing. | To redefine NGOs as consumer clusters that require special messaging and management. | To professionalize brand management. |
|                 |          | **Innovative responses**     |
|                 |          | **Companies are**            |
|                 |          | > Adapting NGOs’ marketing approaches, such as viral marketing.  
> Delivering on special brand promises.  
> Shifting from a reactive to a proactive approach to social sector communications. | **NGOs are** |
|                 |          | > Coordinating campaigns with companies.  
> Marketing themselves to corporate partners’ customers and employees, instead of mailing appeals to the public.  
> Facing stricter financial controls to separate economic decisions from policy decisions. | |
| Create professional development norms and management roles to facilitate coordination between the two sectors. | > Rather than two distinct camps and career paths, companies and NGOs recruit staff from both fields.  
> The two sectors share a common service industry—think marketing or law firm, for instance.  
> A plethora of bi-sector training forums, including apparel sector MBA programs, have been | To integrate CSR into business decision making. | To cooperate with companies in some forums and disagree in others. |
|                 |          | **Innovative responses**     |
|                 |          | **Companies are**            |
|                 |          | > Aligning strategies for building material assets and reputations.  
> Integrating social and financial reporting.  
> Managing cooperation with NGOs in cause-related marketing and public policy forums.  
> Encouraging managers to sit on NGO boards and granting leaves of absence to managers doing social sector work. | **NGOs are** |
|                 |          | > Creating organizations that seek common ground on policy issues, and facilitate partnerships, with companies.  
> Integrating activism and business management montains into the organization.  
> Establishing new professional norms related to nondisclosure of sensitive corporate information. | |

The life insurance companies need to adopt the model on a wider scale for the mutual advantage of the companies and the rural organizations.

6.2.12 The motivational factors for the rural push/ wider rural coverage required for the agents.

Insurance is the subject matter of solicitation and the insurance agent is rewarded for canvassing the policy. The commission payable to the agent is for the hard work done by the agent in canvassing the policy. This is the major ‘Push factor’ inducing the agent to do life insurance business. Doing business in rural areas has its own difficulties as discussed in Chapter 5.4. The 5.4 shows the hurdles in selling policies in rural India. 33% of Bangalore rural agents opine (for the question no 10 for agents) that illiteracy and lack of insurance awareness are the stumbling blocks in the sale of life insurance in rural areas. 55% Kolar agents also opine that lack of awareness is the reason for difficulty in selling life insurance. Secondary data reveal that only 25% of the insurable population is insured in rural India.

Given the difficulties in selling policies in rural India, a specific question is asked to the agents (Q. no 14 of agents’ questionnaire) whether they expect any extra reward for promoting policies in rural areas. 93% of Bangalore rural and 89% of Kolar rural sought extra rewards for promoting rural policies. This was discussed in Table
5.16. With a view to ascertain from the agents whether they suggest group policy (cost effective since commission to agent is less) in place of individual policy (costly when compared to group policy but having more commission component), a question (Q. no 8) is asked to all agents whether group policy is a better option for wider rural coverage. The results are surprising. 72% of Bangalore rural and 83% Kolar rural agents felt that sale of individual policies is better option. This has been discussed in table 5.23.

From the above 2 paras in 6.2.12 and more specifically from the analysis of table 5.16, it can be concluded that agents tend to promote policies in rural areas if incentives in the nature of extra rewards are made available to them.

**Suggestions for motivating the agents for better and wider life insurance coverage in rural areas:**

Some insurance companies like LIC of India have created a separate set of field force for rural areas called ‘Rural Career Agents’ which was discussed in 4.10.6. These special agents are given stipend for 2 years apart from regular commission. Tata AIG’s CRIG model and OM Kotak Life’s Rural Business Division which are discussed in 4.10.6 are the best models of training being imparted to rural agents. Since the rural coverage is still very low, a discussion is necessary whether there should be higher remunerations by way of commissions. In the wake of scrapping of entry load on mutual funds
by the SEBI, a debate has cropped up in the country as to the continuation of commission structure in life insurance sector. A government appointed panel on investor protection and awareness, chaired by Pension Fund Regulatory Development Authority (PFRDA) chairman D.Swarup failed to arrive at a consensus. It however suggested fee embedded commission in place of premium embedded commission structure available at present in the industry. The IRDA has argued that unlike sellers of mutual funds, insurance agents who act on behalf of the insurance company have a different mandate and that it includes spotting investors, examining their risk profile and verifying claims. Hence the agent is more an employee of an insurer than a representative of the policy holder. Besides, an agent representing a policyholder will have little incentive to disclose all risks. The decision on the recommendations has not yet out. (Source: Hema Rama Krishnan, Economic Times, Bangalore, 10th November, 09, page no 13).

Considering the above views, it can be suggested that while scrapping of commission structure is not advisable at this stage of low penetration, a relook at the high rates of commission ranging up to 40% of the first year is to be looked in to for better protection of customer interests. If commissions are rated down, it certainly de motivates the agents. In order not to de motivate the sales force, companies should think of alternative methods as follows:
1. An internal promotion system to agents for achieving rural targets.

2. A special club for high flier rural career agents, awards and such other activities.

3. Separation of rural career agents from that of the urban agents and creation of Rural Vertical Agents’ department. Differential commission structure -while the commission for the sale of urban policies can be slashed, the commission slabs for rural policies can be pegged up in order to boost rural penetration. This is in view of low insurance awareness in rural areas which compel more hard work for soliciting new business.

6.2.13 The raising expectations of the rural customers and the training techniques of the life insurance companies in equipping the agents and reduce the attrition levels.

The raising affluence in rural areas for the past 2 decades has been discussed in 4.7.d. The people below poverty line have come down from 46% in 1983 to 27% in 1999-2000. The allocation to rural development in the successive five year plans have grown from Rs 89 crore in the seventh plan to Rs 1219 crore in 10th plan (Table 4.6). The contribution of primary sector to GDP has come down from 39.7% in 1980-81 to 23.9 in 2001-02. In the same period the share of tertiary sector increased from 36.6% 49.5% which indicates the transformation of rural economy from barter economy to cash rich economy. The rural hinterlands have been the source of sustenance
to major FMCG industries. According to an estimate 50% of BSNL mobile phones are from rural India. With growth of communication, the aspirations of the rural people are not limited to the bottom levels of Maslow’s need hierarchy.

The aforesaid secondary data indicate rising affluence and consumerism in rural areas. Yet there are still black spots in the spectrum. According to Boston Consulting Group report (Nov, 07), India has the second highest number of financially excluded households in the world – about 135 million. The report also says that only 13% of households with less than Rs 45,000 income per annum have life insurance policies. This has been discussed in table 4.12.

*We can conclude from the above data that the rising affluence is not horizontal and all rural people are not the part of the story of financial inclusion.* The insurance companies need to segregate rural people according to these niceties and the challenge to the companies is to build suitable agents who can act both as financial advisors to the rural rich and also insurance awareness generators to the rural poor.

In order to ascertain whether the agents in rural areas are really knowledgeable, a specific question (Q.no 48) is asked to all respondents whether in their opinion the agent representing the company is knowledgeable and explained all features of the policy.
The responses are tabulated and discussed in 5.14. In Bangalore rural 93 customers representing 37.2% of the respondents felt that the agent is not knowledgeable and he has not explained the product properly. Similarly in Kolar, 87 customers representing 34.8% of the respondents felt the agent has not explained the features of the policy. Further from the secondary data we found that 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 NationalInsuranceAcademy, Pune. Further the trainers are not trained in understanding the specific needs and requirements of the rural people. The complexities of the rural market and the mystery and chemistry involving the rural people are not prescribed in the text book of IC 33 of Insurance Institute of India (the book is prescribed for 50 hours training for qualifying license from IRDA) as a separate topic of discussion.

Further at the ground level, the 50 hours training to the agents does not happen in proper perspective (The researcher himself was the Principal of Agents Training Centre for 3 years). The candidates
selected by the Development Officers are not always full time workers. For them coming to the office everyday and attending to training is a difficult task. If attendance is not provided to the candidates, they can not write the IRDA examination. If agents are not recruited in sufficient strength, business of the company gets affected and there will be mounting sales pressures. This is a vicious circle ultimately taking a toll on the training.

To assess the knowledge levels of agents, a set of four questions (57a to 57d) are asked to the beneficiaries and the obtained responses are analyzed vide table 5.33. The conclusions of factor analysis are that knowledge levels of agents in rural areas are perceived by the beneficiaries in low esteem and average percent of preferences on all variables is 30.18% only.

In the background of the above data, if we take the data of attrition rates of agents in India we find that it is as high as 47.67% as against world benchmark of 25 (discussed in table 4.10). If both secondary and primary data are taken in consideration, we can conclude that training inputs to agents are not up to the mark with the result they could not properly relate the product to the rural customer. An untrained agent can not be a source of inspiration and naturally the attrition rates are on the high. The high attrition rates have a definite bearing on customer satisfaction since all the policies canvassed by the agents who left the companies become orphan and there will be none to service them.
Suggestions for marketing techniques for enhancing training inputs:

Since rural expectations are on the rise, there is an imperative need to field qualified and trained agents in the rural hinterlands who are ambidextrous in wealth planning for rural rich and also facilitators in generating awareness to the financial exclusive population. Training acts as a catalyst in improving knowledge levels of the agents. A few suggestions to improve training inputs with a view to sharpen the agents’ intellect and reduce attrition rates and help in wider rural coverage are as follows:

1. Companies should create awareness in the educated youth of the rural areas about the prospects of insurance advisors. For this, the HR teams have to visit the colleges in town centers and arrange campus recruitments. The HR teams also should survey the profile of each individual village, find the income, caste and religion composition of the village and directly talk to the leaders of the stratified data and try to enlist them as agents.

2. Suitable syllabus reflecting rural dynamics is to be introduced in the 50 hours training exclusively for rural agents.

3. Companies need to create a Rural Agent Training Verticals in their offices for exclusive focus of rural areas.

4. All insurance companies can co opt and create a RuralInsuranceAcademy on the lines of
National Insurance Academy, Pune for specialized training to the successful sales teams from rural areas. The trainers are also given training in this Academy with rural orientation as the prime objective.

5. To arrest absenteeism in the training centers, the Development Officers are to be encouraged to recruit whole timers for taking up the profession of agency.

6. Frequent refresher training to rural agents to keep abreast of new technologies, new markets and new aspirations of the rural people.

6.2.14 The IT initiatives of the life insurance companies aiming at wider rural coverage and the evaluation of the IT strategy.

Technology is driving financial sector to greater heights. Life insurance sector is no exception to this general trend. Majority of the life insurance companies have embraced new technologies with a view to augment its marketing techniques and increased customer satisfaction. These are already discussed in detail in 6.2.10. Creation of customer portal, unique customer ID etc are other initiatives aimed at more customer satisfaction. As discussed through secondary data we find that only 34% of the country population is engaged in formal banking and the other 66% are not part of inclusive growth. As discussed in 6.2.10 majority of the rural customers do not know the payment of premium through Internet.
The IT initiatives broadly revolve around urban centers where the banks have core banking facility. The analysis as discussed in 5.40 clearly indicated that the companies have showed very little interest even though the cost of policy administrative costs through Internet transactions is much less. A survey by Meridian research illustrate this point which is shown under chart 6.1

**Chart 6.1 showing policy administration charges under different channels:**

<table>
<thead>
<tr>
<th>Name of the channel</th>
<th>Estimated policy administration cost in $, Agency, 19</th>
<th>Estimated policy administration cost in $, Call centre, 8</th>
<th>Estimated policy administration cost in $, Internet, 0.45</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost in Dollars</td>
<td>Estimated policy</td>
<td>Call centre</td>
<td>Internet</td>
</tr>
<tr>
<td></td>
<td>Estimated policy administration cost in $</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Meridian Research Analysis taken from the report of ‘Technology enabled ICT initiatives in rural life insurance’ by Dr Smita Totade.

**Suggestions for enhancement of rural centric IT initiatives:**

As discussed in 4.11, 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, Inagrine by EID Parry etc. The current IT initiatives of life insurance companies viz, ECS collection, direct debit to savings bank account, credit card swiping, premium payment through ATMs and such other IT initiatives are workable in urban environment where core banking facility is available. Insurance companies need to explore possibilities on the following lines.

1. Insurance companies can co-opt with the Government and encourage the rural farmers to pay their premiums through Kisan Credit Cards.

2. The life insurance companies can think of issuing credit cards to all rural customers and encourage payment of premiums by credit card.

3. Insurance Kiosks can be established in market places catering to cluster of villages where the villagers can access information on premium due dates, loan, surrender and premium calculations and such other basic information.

4. Premium rebates can be offered to rural customers who opt to take insurance on Internet. A company representative can assist the customers in Internet transactions at the exhibitions put up on the market day.

5. Insurance companies need to establish ITC model E- choupal webs in rural areas and start disseminating life insurance
awareness in local languages. *Electronic reminders for payment of premiums can be issued and the premium calculator for different products can be installed.* Video conferences can be arranged in this model where the company representative chat with the villagers and personally explain the features of the new products.

### 6.2.15 The short term and long term techniques for wider rural coverage:

If the life insurance companies aim at inclusive growth, they should have certain short term and long term techniques for boosting their sales volumes and also achieve their rural and social obligations. Plethora of suggestions is provided from 6.2.1 to 6.2.14 as discussed above. At a macro level the companies should visualize short term and long term techniques for sustained sales volumes. While ‘Fishing’ strategy suits best in the short run, ‘Farming’ strategy is best suited in the long run.
The ‘Fishing’ strategy (short term techniques) may include the following:

1. Mass recruitment of agents from diversified strata, viz, caste, religion, sex etc from the rural areas and drive the force in spreading the insurance net.
2. Maximize alliances with banks and enhance the bank assurance business in rural areas.
3. Improvise and introduce more micro insurance schemes to cover maximum number of people in rural areas.
4. Segment the villages on different groups and strata and introduce more group insurance schemes.
5. Simple and easy to understand products are to be launched.
6. Incentives / awards/ recognitions to high fliers and achievers.
7. Allocate more budgets for publicity / advertisement.
8. Tele marketing and Internet marketing.
9. Crash training programmes to rural agents.
10. Motivational meetings / seminars to agents.
11. Multiple usages of distributional channels catering to different needs of different sections of customers. The prototype can be as follows:
The ‘Farming’ techniques (long term marketing techniques) include the following:

1. Rural market analysis including identifying the needs and requirements of the customers, insurance need analysis, product development for specific needs and launching the specific products.
2. Identifying the representative strata of rural population on different social pedestals and enlighten them about the profession of life insurance, motivate them and recruit them as agents.

3. Training need analysis to the agents in rural life insurance, establishing the supportive organizational structures and imparting continuous training viz, induction training, refresher training, product training, personality development training and such other long term training needs.

4. Evaluate and visualize the changing needs and expectations of the customer through periodic survey and develop products.

5. Study the stage of each existing product in the back ground of product life cycle.

6. Streamline the operations with a view to better and long lasting customer satisfaction.

7. Adopting villages and brand building.


10. Launching traditional and unit linked pension plans with in-built flexibility premium payment options for the long term objective of covering senior citizens.
11. New approach with leveraging extensive rural banking and micro credit financial institutions and cross selling of products.
12. Coverage of all liabilities of rural people with loan protected policies.
13. Innovative product launch with flexible premium payment option, including pygmy collections for lesser income groups.
14. Suitable rural centric IT initiatives as described in 6.2.14.

A blend of short term and long term techniques as suggested above will ensure increasing rural penetration and go a long way in coverage of all insurable population in the rural hinterlands.

**6.2.16 Multilateral marketing at village level.**

From the primary data as analyzed in 5.26, it is evident that majority of the rural customers wish to canvas life insurance policies to fellow villagers provided they are suitably rewarded. The concept of multi level marketing is as follows:

**Multi-level marketing:**

**Figure-6.11: Showing MLM structure:**

A typical MLM binary tree structure (website)
The blue individual will receive compensation from the sales of the down line red members.

What gives multi-level marketing its name is the unique compensation structure. In such a company independent sales representatives (individuals who market company products) are contracted by the company in what is more or less a subcontractor position (however the company usually has no general contract with any client). Because of such a relationship, the sales representatives are not employees of the company, they are independent from it. What makes a structure qualify for the term “multi-level marketing” is the specification in the contract between the company and the representatives that the representatives will receive compensation (also called commission) for their own personally generated sales of company products as well as for sales of other promoters they introduced to the company. This ability to receive constant remuneration from the efforts of others creates an incentive for the representatives to personally recruit teams of other sales representatives (who will ideally do the same), thus creating a down line of distributors and a hierarchy consisting multiple levels (taken from MLM website).

Table-5.26 as discussed in chapter 5 clearly indicates that in the villages, the villagers can canvass business to their kith and kin provided they are assured of getting the commission. It is the fast mode of spreading insurance coverage to all the rural people. One big
objection to this type of marketing can be the possibility of hiding facts material to the risk which is peculiar to the contract of insurance and which is discussed in Chapter 1.12. There could be an argument that in the absence of an authorized agent, who can certify the bonafides of the customer—his health conditions and financial soundness for deciding capacity to contract? But if we analyze the modern practices of marketing life insurance, we find that bank assurance is contributing more than 50% of life insurance business in most of the advanced countries. Even in our country the business volumes of most of the private companies are due to bank assurance. The banker fills in the life insurance applications of his deposit holders and the moral hazard report (MHR) is signed by a designated person (normally one designated person for 40 to 50 bank branches) and in many occasions the signatory of MHR would never have seen the customer at all. In alternate channel business also, the designated person sits in the head office and signs the MHRs for all proposals that come up to him. Further many private insurers have started selling life insurance over Internet, for example Aegon Religare’s Pure Term assurance and Bajaj Allianz Life Insurance Company’s I-Gain which are sold through Internet. Nobody is testifying the MHR in these cases. Further tele marketing and cold canvassing are the accepted methods of canvassing life insurance business. In all these models proposals are accepted and completed. One of the reasons being the volumes and scale of
business can take care of the moral hard. In this scenario, there cannot be any reason for not trusting the villager if he wishes to introduce new policy holders. By rewarding each policy holder by encouraging new sales, the insurance coverage to majority of rural policy holders could become a reality. The companies at least can limit the amount of insurance in this MLM model and start issuing policies on large scale.

In order to understand the interests of the customers with regard to extra incentives, one more question (Q no 35), ‘Have you expected any share in the commission for you?’ is asked and the responses are obtained. They are tabulated in table 5.24. Out of 250 respondents 143 Bangalore rural customers express their intention to take some portion of commission from the agent for taking any new policy. It works out to 57.2% of the respondents.

Out of 250 respondents 140 Kolar rural customers express their intention to take some portion of commission from the agent for taking any new policy. It works out to 56% of the respondents. It can be inferred that the policy holders are interested in taking a portion of agent’s commission. As discussed earlier, sale of policies by inducing a part of commission to the customer is prohibited. In actual practice, this rule is less followed due to increasing competition in the market. Only way out is either to legalize the practice or encourage multi level marketing which is a legalized way of doing life insurance business.
6.2.17 Impact of caste/sex/religion of the sales team member and the opinion leader on purchase decisions:

In order to understand the purchasing decisions of the rural customers, a set of five questions (Q.no 61a to 61e) are asked and responses are obtained from the customers. An analysis is undertaken and results are tabulated in table 5.37. The conclusions are that average percent of preferences on all variables is 86.92 which indicates that educated school going children, village elders and opinion makers influence purchase decisions of the villagers. Canvassing policies by a stranger is difficult in rural areas and caste plays an important role in purchase decisions. This has been discussed in 5.27 and 6.2.4 also.

In view of this trend, companies should start recruiting agents from these strata for tapping the insurance market.

6.2.18 Gender differences in rural life insurance market:

Women are also a critical factor for development process in rural India. As C.K. prahlad puts it, the Grameen Bank’s success is based on lending ‘only to women’. The SHGs at the ICICI bank are all women and so also all the Shakti Ammas at Hindustan Lever Limited (HLL). Women collect cash from Amul Milk and have achieved a special social status. The success of Avon, Mary Kay, and Tupperware in the United Stats and other parts of the world is also based on the women entrepreneurs. Although evidence is over
flowing, very little explicit attention has been paid to actively co-opting women in the efforts to build markets and lead the development process. MNCs and large firms will do well to keep this in mind in their efforts to create new markets at the BOP. (The fortune at the bottom of the Pyramid, page no 108.)

Women generally influence the purchase decisions in the families. In order to know whether this is true for life insurance also, a set of four questions (Q. no 62a to 62d) are put to the beneficiaries and the obtained results are tabulated in 5.38. The results indicate that the responses range between 2.25 (9/4) to 3.25 (13/4). It means the responses are lying in between ‘somewhat disagree’ to ‘neither agree nor disagree’ category. It can be concluded that the women in rural areas have lesser voice in deciding insurance purchase decisions and average percent of preferences on all variables is 40.78% only. It can be concluded that women do not play vital role in rural life insurance purchase decisions. Perhaps the nature of insurance business involves explaining the benefits in the event of happening untoward event which is not liked by the rural women. The word ‘death’ is not well received and a business revolving around security in case of death is naturally not encouraged.

In order to know whether insurance is sold in rural areas on the core business proposition that is highlighting the ‘insurance concept’, a specific set of five questions (63a to 63e) are asked and the obtained results are tabulated vide table 5.39. The results indicate
that the responses range between 3.2 (16/5) to 4.40 (22/5). It means the responses are lying in between ‘neither agree nor disagree’ to ‘somewhat agree’ category. It can be concluded that the customers in rural areas are wooed on the basis of investment returns and not on the basis of insurance element and average percent of preferences on all variables is 64.09% and is shown in table 5.39. It indicates that insurance policies in rural areas are sold more as investment products and the agents canvass them by showing benefit illustrations and the supposed benefits at the end of a specified period. Insurance needs are not clearly taken in to consideration and only a few popular products are always sold.

From the two paras as above in 6.2.18 it can be concluded that policies in rural areas are sold on the pedestal of investment and not on the core business proposition, that is insurance. Women do not influence the purchase decisions.

**Suggestions for wider insurance coverage for rural women:**

Lack of disposable income in the hands of the rural women discourage insurance companies for designing women oriented policies in the rural spectrum. But these are the vulnerable sections of the social structure who really need insurance. In order to provide the umbrella of insurance to the rural women, the companies need to understand that the house hold activities also carry disguised income value though not in real terms. On this premise, the
companies should design exclusive women policies catering to the artisans, daily workers and house wives.

The companies also should start recruiting agents from Anganwadi workers and Stree Sakti members and encourage them to canvas business from rural women.

**6.2.19 Recommendations to the insurance companies as to what marketing techniques are ideal for wider rural life insurance coverage:**

In the aforesaid paragraphs from 6.2.1 to 6.2.18, an attempt has been made to study the primary data collected from 500 respondent customers - 250 from Bangalore rural and 250 from Kolar rural and 200 agents of different life insurance companies. The data which are tabulated in chapter 5 and chapter 4 are again discussed under 17 headings and certain suggestions are made from the prototypes / models available in foreign life insurance industry and some other financial institutions within the country. The models/ prototypes were arranged in eleven boxes/figures (6.1 to 6.11). Suggestions are also made after analyzing the expectations of the customers through primary data.

In order to maximize insurance coverage in rural areas, the companies need to aim at inclusive growth strategy so as ensure maximum life insurance coverage without loosing the profit motive. For inclusive growth old and tried marketing techniques such as routine Agents’ Meetings, ‘One size fits all’ products, media
advertisements etc may not work as the life insurance coverage sought to be covered is to financially excluded, non bankable and sometimes media dark population of the rural hinterlands. Out of box solutions and short and long term techniques are to be forged in order to spread the message of life insurance and value creation in cash poor low income society. The suggestions that are already recommended can be summed up under the following heads.

1. **Recommendations aiming at generating life insurance awareness in rural areas:**

   The low levels of life insurance awareness are evident from the analysis of the primary and secondary data. With a view to educate the customers and raising the awareness levels, apart from the existing techniques such as mobile publicity vans and publicity in print and electronic media, the industry can create a consortium of life insurance companies with the involvement of IRDA for educating the rural people on a mass scale. Social marketing technique is to be used to market the idea of insurance before the individual life insurance company steps in to the business. This consortium has to organize exhibitions, slide shows, short films and such other activities in the village markets frequently.

2. **Recommendations aiming at generating awareness program of the regulatory body (IRDA):**

   The primary data has revealed that majority of the people in the rural areas are not aware of the regulatory body, ie, IRDA and
with the result averse to invest in private companies perceiving them to be unsafe.

"It is therefore recommended to print in all brochures, pamphlets and policy bonds of all life insurance companies the Grievance Redress Mechanism and highlight the role of IRDA. This strategy is aimed at creating trust in the mindsets of the rural customers. The consortium of life insurance companies can also enlighten the role of the regulating authority to the rural people."

3. Recommendations for suitable techniques aimed at customer satisfaction:

From the primary data it is deduced that increased customer satisfaction lead to repeat sales. Programs aiming at customer satisfaction are felt more important by private players to show demonstrative effect that they mean business.

"In order to maximize customer service, the life insurance companies need to introduce employee appraisal linked branch service index meters in all branches where each and every service activity is measured according to scale by the robust IT department monitoring from the head office. The Service areas relate to issue of flawless policy bond, change of address, sending premium notice, mode correction, registering nominations & assignments, settling survival benefits before date, loan sanctioning,
fund switching, claim settlement, free look cancellation, courteous response to queries, disciplinary actions against mis selling and a host of service related things. **Printing policy bond in regional language and communicating in regional language avoiding insurance jargons create right chord to relate the company to the rural customer.**

4. **Recommendations for techniques aiming at designing need based products:**

From the secondary and primary data as discussed in table 5.17 and 6.2.7, we found that there is dearth of products suiting to rural psyche. Except a few products of a few companies, the general product design of all companies has no exclusive rural orientation with a unique selling proposition. The primary data also suggest that lack of need based products as one of the reasons for low levels of rural coverage.

In order to design need based products, insurance companies are advised to survey the rural market thoroughly to assess the needs. **A family policy covering all members of the family can be launched in order to cover maximum people at a stroke. We have prototypes of such policies in foreign countries which are discussed in 6.2.7.**
Insurance companies have to design hybrid products with the convergence mechanism of micro credit, micro insurance and micro savings, the details of which are discussed in 6.2.7.

Since the people at the bottom of the pyramid are exposed to risks relating to vagaries of nature with unpredictable timings in income generations, the insurance companies should design premium holiday products, deferred premium payment products, seasonal premium payment products and 'any time any amount' premium payment products specially designed to suit the needs of the rural people. The details and modus operandi of these products are discussed in 6.2.7.

Comprehensive insurance policies covering the life of the individual and his other needs viz, crop, scooter, house, travel etc as riders can be thought of by the life insurance companies by ceding the risk of general insurance subject matters to general insurance companies. In this model the insurance company acts as a single window mechanism for all insurance needs.

Life insurance companies have to design region specific innovative products taking the emotional needs of the rural people, viz, son’s education, daughter’s marriage, pilgrimage, funeral expense needs and position the products to different segments.

5. Recommendations with regard to recruitment of rural agents aiming at more rural coverage:
With a view to spread the message of life insurance on a wider scale in each and every village, the life insurance companies need to prepare branch socio economic profile of each branch office with all details of caste / religion/ income/ occupation composition of all villagers and try to appoint agents from each stratum to tap the business from each group. The Black Spot villages (where there is no agent of any company) need to be identified and agents are to be appointed in such villages. Since opinion leaders play an important role in purchase decisions, companies need to enlist the opinion leaders as their Sales Force.

6. Recommendations for wider rural coverage through low cost pension products:

Potential of the pension market is discussed in 6.2.8. Since the incomes of the lower income groups in rural areas could not be spared to purchase high premium policies, the companies need to develop low cost group insurance pension products on the lines of YS Abhaya Hastham pension plan launched by AP government and administered by LIC of India. The scheme is discussed vide box 6.6.

7. Recommendations for wider rural coverage by insuring the liabilities:

The liabilities of the rural people are not insured and therefore the dependents of the bereaved families are inheriting the debt. With
an aim to provide social security, the insurance companies can launch individual plans, group plans and term plans to cover each and every loan taken by the poor people. The life insurance companies should educate the cooperative societies for getting formal approval by cooperative members for the mandatory insurance scheme for all loans sanctioned by them. The commission can be paid to co operative societies.

8. Recommendations aiming at a marketing strategy of daily pigmy collection of premiums for agricultural laborers:
Having analyzed the expectations of the low income agricultural labor group from the primary data, it was discussed that daily wage earners can spare a few rupees daily but find it difficult to pay a bulk premium at a time. Insurance companies need to design policies with daily pigmy collection mechanism and position the products to agricultural labors.

9. Recommendations aiming at a marketing strategy of rewarding the repeat purchasers to sustain eternal relationship:
As discussed in 6.2.10, out of box solutions are required to be invented for wider rural coverage. Insurance companies should start giving reward points for each repeat purchase and for each recycling of maturity claim which can be redeemed when the last policy results in to claim by way of maturity or death. This model may be christened ‘Generations Relationship Rewards Scheme (GRRS)’. This ensures loyalty on the part of the
customer towards the company at no extra expense. The prototype available in Coffee Day, IOC and Bharath Petroleum are discussed in 6.2.10. For this the companies should start looking at the customer in totality and not as a Policy number. **Preparing and perfecting a unique customer ID for a policy holder with various policies is a pre requisite for the success of this model.**

10. **Recommendations for flexible and rural centric premium collection mechanisms:**

The alternate premium collection mechanisms, viz, ECS, Internet payment, Salary Saving Schemes may not work with unbankable and financially exclusive population. **Insurance companies through consortium of all insurers collect premiums through mobile vans at the village markets and through ‘Collecting Banks’. The details are discussed in 6.2.10.**

11. **Recommendations aiming at increasing the bank assurance potential in wider rural coverage:**

In India only 2% of the captive customers of the banks are given insurance through bank assurance against the global benchmark of 50 to 60% as discussed in 4.7.a. Having analyzed the reasons for low performance **it is recommended for the life insurance companies to have tie up with all regional and cooperative banks and apart from paying commission to banks, the insurance companies should float business competitions to individual bank branch managers and reward**
them without which they have no incentive to work and bank assurance would be another portfolio to the already existing jobs in the bank.

Insurance companies should also launch easy to understand bank assurance specific exclusive products for facilitating the bank managers to push the sales in an easy fashion.

12. Recommendations aiming at creation of Rural Vertical department at the corporate offices of the life insurance companies:

As discussed in chapter 4, the IRDA stipulations of rural coverage are viewed by the private life insurance companies more as on obligation than as a commitment towards wider social coverage. To unleash the rich untapped potential of the rural areas it is recommended that the insurance companies establish a Rural Vertical department at the corporate office for planning, organizing and implementing rural social objectives without loosing sight on profits. Entrepreneurship on a massive scale is need of the hour and the life insurance companies explore the world of rural markets through a separate set of agents specialized in rural markets.

13. Recommendations aiming at advanced professional training to rural agents for meeting the rising expectations of the rural people:
As discussed in chapter 4, rural India is a mixture of opposites. We witness raising affluence of some and at the same time financially excluded lot of people on the other side. We need insurance advisors who are ambidextrous enough to cater to the rural rich and also rural poor. The rural agent has to equip himself with the subject of wealth creation as well as social insurance coverage. *It is therefore recommended for all the insurance companies to form a consortium and establish a National Insurance Academy for training the agents of rural areas on the lines of NIA, Pune and for initiating an exclusive training activity and devise curriculum to rural agents across India. The trainers of life insurance to the agents at the branch offices need to be trained in this Academy.*

14. **Recommendations for robust IT initiatives for rural life insurance coverage:**

The IT initiatives presently practiced by the life insurance companies are inadequate to rural life insurance coverage and it is discussed in chapter 4 and 5. In order to generate insurance awareness and spread the coverage of life insurance, *Insurance companies need to establish ITC model e-choupal webs in rural areas and start disseminating life insurance awareness in local languages. Electronic reminders for payment premiums can be issued and the premium calculator for different products can be installed. Video conferences can be arranged in*
this model where the company representative chat with the villagers and personally explain the features of the new products. Companies can issue credit cards to rural policyholders and provision can be made for paying premiums through credit cards.

Life Insurance companies are recommended to develop data ware housing for each village of all districts comprising the income, caste, religion and occupation details and make use of the data for recruitment of agents from stratified data, designing need based products, positioning of the products and such other marketing initiatives.

15. Recommendations towards marketing strategy of multilateral marketing at village level:

The primary data (table 5.24) suggests that villagers expect to get rewards from canvassing new business to their friends, kith and kin. Insurance companies need to think out of box solutions to approach the poor by partnering with them to have a win-win scenario. The commissions that are traditionally paid to agent can be paid to the villagers doing multi marketing as per the model discussed in 6.2.16. This model is to ensure marketing of life insurance on a wider scale.

Summation:
The evaluation of primary data and the secondary data has given a scope to analyze the rural life insurance market in India. It has also helped in identifying the hurdles in selling the policies in rural areas. Basing on the analysis, certain suggestions are made to the life insurance companies and to the IRDA for wider rural life insurance security. The thesis is thus being concluded by presenting the ‘moments of truth’ which are the ultimate aim of winning the trust of the rural people for inclusive growth.

**Table-6.4: Showing value perceptions in life insurance.**

<table>
<thead>
<tr>
<th>How companies think</th>
<th>Moments of Truth</th>
<th>How customers think</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td></td>
<td>Surakha(protection)</td>
</tr>
<tr>
<td>Policy</td>
<td></td>
<td>Promise</td>
</tr>
<tr>
<td>Risk cover</td>
<td></td>
<td>Peace of mind</td>
</tr>
<tr>
<td>Contractual obligations</td>
<td></td>
<td>Care and concern</td>
</tr>
<tr>
<td>Vision, Mission</td>
<td></td>
<td>Desires, Aspirations</td>
</tr>
<tr>
<td>CRM</td>
<td></td>
<td>Expectations</td>
</tr>
<tr>
<td>Profits, Growth, Claims</td>
<td></td>
<td>Benefits</td>
</tr>
<tr>
<td>Agent, Broker</td>
<td></td>
<td>Well wisher, Friend</td>
</tr>
</tbody>
</table>

**Source:** Venkata Ramana Rao, Life insurance awareness in rural India: Micro insurance lessons to learn and teach, Bima Quest, Jan, 08, page 57.