APPENDIX 1

QUESTIONNAIRE TO BENEFICIARIES

PLEASE ANSWER FOR THE FOLLOWING QUESTIONS, YOUR IDENTITY IS GUARDED. PLEASE FEEL FREE TO GIVE YOUR COMMENTS.

GENERAL INFORMATION :
1. Policy number (optional) : 

2. Name of the policy holder : 

3. Village to which you belong to : 

4. Distance to Taluk HQ : 

5. Educational background : 
   1. Illiterate
   2. Higher primary
   3. Elementary high school
   4. PUC
   5. Degree
   6. Other Higher Qualification.

6. Family Income (in rupees) : 
   1. < 50,000
   2. 50,000 - 1,00,000
   3. 1,00,000 - 2,00,000
   4. 200000 - 5,00,000

7. Family Type : Unitary / Joint

8. Family Size : Adults (Numbers)
   Children (Numbers)

9. Sex : Male (Numbers)
   Female (Numbers)

QUESTIONNAIRE TO THE BENEFICIARIES.
Please tick “YES or NO”
(To ascertain levels of awareness)

10. Do you think that insurance is necessary for any individual?
    1. YES 2. NO

11. Do you know that insurance aims at covering risk and also a means of investment?
    1. YES 2. NO

12. Are you aware that many private life insurance companies are providing life insurance coverage to the people apart from LIC of India?
    1. YES 2. NO

13. Do you think that SBI Life Insurance Company is a government owned company like LIC of India?
    1. YES 2. NO

14. Where do you invest your saving?
    1. Life insurance company 2. Post Office deposit
    5. Mutual fund 6. Real estate
    7. Any other.

15. Do you feel that the premiums paid in private life insurance companies are safe?
    1. YES 2. NO

16. Do you think that the safety of the investments made in life insurance companies shall be protected by the regulatory body, i.e. IRDA.
    1. YES 2. NO
17. Do you know that different life insurance companies have designed policies for your different needs like children education, marriage of the daughter, retirement needs etc.
   1. YES  2. NO

18. Have you taken a life insurance policy?
   1. YES  2. NO

19. Why did you take them? Is it due to:
   1. Agents force
   2. For effective savings
   3. To meet future expected expenses
   4. To meet contingencies.
   5. Any other.

20. How many policies have you taken?
    In numbers -

21. What is the total sum assured for all the policies?
    Amount Rs.

**TO ASSESS THE SATISFACTION / DISSATISFACTION LEVEL OF THE CUSTOMERS:**

22. How many policies are you holding with private life insurance companies?
    Numbers -

23. Do you feel that the services of the life insurance companies are satisfactory?
    (LIC of India and other private life insurance companies)
    YES/ NO

24. If not, what is the reasons for your dissatisfaction?

25. Have you received the policy bond within 15 days from the date of paying first premium?
    YES/No.
26. If you have money back policies, are you receiving the money back amounts on time?

27. Are you receiving premium notices regularly?
   1. YES  2. NO

28. Did you find any difficulty in effecting corrections in policy, viz change of nomination, address change etc?
   1. YES  2. NO

29. Do you feel that claims are settled easily when the policy matures?

30. Indicate the level of satisfaction you have obtained about the service...........................
   1. 20-40%
   2. 40-60%
   3. 60-80%
   4. 80-100%

31. What kind of policies, have you taken?
   1. Endowment
   2. ULIP
   3. Health
   4. Team Assurance

32. Have you taken policies in the name of your wife, children, parents?
   Wife - Yes  No
   Children - Yes  No
   Parents - Yes  No

33. Probably, how many times have you visited your insurance office or met your agents for service needs?
   1. Once
   2. Twice
   3. Five times or more.
34. Have you asked the LIC agent about the commission he received against the policy?
   1. YES  2. NO

35. Have you expected any share in the commission for you?
   1. YES  2. NO

36. If you have received, what is the probable amount?
   1. 50% of commission
   2. Definite sum
   3. Initial premium on policies.
   4. Any other form.
   5. Not claimed.

AWARENESSOFDIFFERENT PRODUCTS.
(Tick any of the following of your choice.
37. Do you think that ULIPS are better than endowment plans?
   1. YES  2. NO  3. NOT KNOWN

38. Whether group insurance plans are cheaper than individual endowment plans?
   1. YES  2. NO  3. NOT KNOWN

39. Do you think that the companies are collecting more towards administrative charges and mortality charges?
   1. YES  2. NO  3. NOT KNOWN

40. Do you feel that premiums are more under money back plans than endowment plans?
   1. YES  2. NO  3. NOT KNOWN

41. Do you think that retirement planning is an absolute necessity for you?
   1. YES  2. NO

42. Do you find any difficulty in paying premium through Internet?
   1. YES  2. NO  3. NOT KNOWN
43. Did your life insurance agent inform you about the kind of policies in which your savings will be invested?
   1. Yes  2. No

TO ASSESS THE EXPECTATIONS

44. Do you expect the agent/insurance company representatives to visit you to collect the premium cheques?
   1. YES  2. NO

45. Do you feel that daily collection of a certain fixed amount (to be adjusted to premium in future) is a better way to pay premiums?
   1. YES  2. NO

46. Do you like insurance coverage be provided for each loan you borrow from the government / bank and premium recovered at the outset?
   1. YES  2. NO

47. Do you expect the companies to explain all products in their kitty before canvassing any particular plan to you?
   1. YES  2. NO

48. Do you feel that the agent representing the company is knowledgeable and explained all features of the policy?
   1. YES  2. NO

49. Do you at any time feel that the agent has duped you by mis-selling the policy to you?
   1. YES  2. NO

50. Do you feel a single policy for the entire family is good instead of different policies on each life?
   1. YES  2. NO

51. Do you think that canvassing policies and getting rewards would be beneficial to you?
   1. YES  2. NO
52. Do you feel taking policy directly avoiding the agent/sales manager and expect reduction in cost of premium?
   1. YES  2. NO  3. NOT KNOWN.

53. Do you feel that paying premia for a group policy for all villagers of your village through village panchayat is cost effective?
   1. YES  2. NO  3. NOT KNOWN.

54. Do you find convenient to get your policies from Post Office or a Bank?
   1. YES  2. NO  3. NOT KNOWN.

Questions to ascertain some more information:
Please give your answers in the following scale:

<table>
<thead>
<tr>
<th>Strongly agree (SA)</th>
<th>- 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somewhat agree (SWA)</td>
<td>- 4</td>
</tr>
<tr>
<td>Neither agree nor disagree (AAND)</td>
<td>- 3</td>
</tr>
<tr>
<td>Somewhat disagree (SWD)</td>
<td>- 2</td>
</tr>
<tr>
<td>Strongly disagree (SD)</td>
<td>- 1</td>
</tr>
</tbody>
</table>

55. **Group 1 (Awareness levels)—Objective 1**
55a. In ULIPs, the company is not responsible for investment risk..
55b. No death claim is settled in case the policy is lapsed..
55c. Policy holders get lesser than what they paid in case they surrender the policies.
55d. All life insurance companies have policies for all needs of the customers.
55e. Pricing of all insurance products of all companies is decided by IRDA.
55f. There is no difference between micro insurance and rural life insurance.
55g. Past performance of any company may indicate the general future performance of the company.
Group 2 (expectations with regard to type of products)—Objective 2.

56a. People in rural areas wish to take term assurance product since it is the cheapest of all products provided it is properly positioned by agents.

56b. Keeping pension product in the portfolio is an absolute necessity for any policy holder.

56c. Insurance companies should sell group insurance policies in order to make insurance affordable and cheap.

56d. Insurance companies should pass on the commission to the rural people by encouraging multi level marketing.

56e. Insurance companies should encourage giving concessions in premium to rural customers who wish to take policies directly from the offices.

56f. Flexible premium payment options reduce lapsation and help rural people.

57. Group 3 (Objective 3)—Knowledge levels of agents.

57a. Agents of life insurance companies are by and large quite knowledgeable.

57b. Agents of life insurance companies provide reliable investment guidelines.

57c. Agents play a noble role in spreading the insurance message for the cause of general public.

57d. Agents have explained all products and sold only those need-based products for the customers.

Group 4 (Additional objective: to study the effectiveness of advertisement and other promotional activities of the insurance companies.

58a. Majority of the life insurance companies have erected hoardings in the big villages.

58b. You can find agents of many life insurance companies operating in your village.

58c. The representatives of all life insurance companies visit all the villages for explaining their products.

58d. The villagers understand the benefits of all products by seeing the advertisements in the TVs.
58e. It is easy to understand the benefits of life insurance products by seeing the pamphlets of the insurers.

58f. If the advertisements feature the figures of rural people, they attract the imagination of rural customers.

59. **Group 5 (Additional objective: to study the factors that influence customer satisfaction.)**

59a. Repudiation of death claim by an insurance company will have adverse effects leading to dissatisfaction by the villagers.

59b. Receipt of a premium notice on time reflects the effectiveness of the insurance company.

59c. Delay in settlement of maturity claim for what ever reason is perceived as a lapse on the part of the insurance company.

59d. The general ambience of the office of the insurance company is an index of the efficiency of the insurance company.

59e. The ability of the staff working in the office in guiding the customers is an important element in deciding the efficiency of a life insurance company.

59f. Service by the agent after the sales has a profound impact on the effectiveness of the insurance company.

59g. Customers generally oblige for taking a second policy only when the services of the company are good.

60. **Group 6 (Additional objective: to study the rural interest evinced by the life insurance companies.)**

60a. Investments are made in rural areas after understanding the products of all the twenty plus life insurance companies.

60b. All life insurance companies have at least one agent for every 5000 population in the rural areas.

60c. The advertisement of the products are done by all companies in rural areas.

60d. All companies have products suitting to all the requirement of policyholders.

60e. Customers in rural areas prefer comprehensive policies covering both life and general insurance needs if properly explained.

60f. Buying behavior in rural areas is influenced by the caste and religion of the agent.

60g. People in rural areas are more influenced by opinion leaders and educated youth before making life insurance investment decisions.
61. **Group-7 (Additional objective- to study the factors that influence the purchase decisions of the rural customers.)**

61a. Educated school and college going children have a major say in the life insurance purchase decisions.

61b. Village elders and opinion leaders are to be roped in for effective sale of the product in rural areas.

61c. Canvassing insurance becomes easy if the agent of the same caste of the customer go for canvassing.

61d. Advertisements and print media have very less influence on the purchase decisions of the rural customers.

61e. It is difficult to canvas sales of life insurance policy by a strange person not known to the villagers earlier.

62. **Group-8 (Additional objective – to study whether insurance is equally sought after by both genders in the rural areas.)**

62a. Rural male investors take policies on the lives of their wives since premiums would be less for lesser age persons.

62b. Insurance purchase decisions are influenced by women in rural areas.

62c. Maximum policies sold in rural areas are on the lives of male members.

62d. Majority of agents in rural areas are women.

63. **Group-9 (Additional objective- to study the pattern of canvassing of policies in rural areas.)**

63a. Life insurance in rural areas is sold more as an investment option than as an insurance option due low levels of insurance awareness.

63b. Agents show the probable maturity returns and try to woo the customers in rural areas.

63c. Majority of policies sold in rural areas are yearly policies synchronizing the harvest months.

63d. Specific insurance needs of rural people are never the basis for canvassing policies.

63e. Only a few popular products are sold to rural people to avoid complication in explaining the features.

64. **Group-10 (Additional objective- to study the utilization of IT initiatives of the life insurance companies by the rural customers.)**

64a. Customers of rural areas, in general, know the toll free number 1251 for getting policy related information from LIC of India.
Villagers obtain the policy status, due dates of premiums, the quantum of loan amounts and such other things through the websites of insurers.

Insurance companies have educated the customers in rural areas to make use of Internet for accessing required information.

The advanced features of premium payments through ATMs, SMS and Internet are known to rural customers.

The villagers in rural areas know payment procedure in NEMMADI KENDRAs operated by Comat company in Karnataka on behalf of LIC of India.

**Group-11 (Additional objective – to study awareness of government subsidized schemes and their popularity in rural market.)**

Janashree Bima Yojana, Siksha Sahayog Yojana and Aam Aadmi Bima Yojana subsidized by government of India and administered by LIC of India are known to all agents.

Janashree Bima Yojana, Siksha Sahayog Yojana and Aam Aadmi Bima Yojana subsidized by government of India and administered by LIC of India are known and popular among all villagers.

The subsidized social security schemes have not effectively covered the poor and needy claimants due to lack of adequate support from the nodal agencies of the government.

The subsidized social security schemes have not effectively covered the poor and needy claimants due to lack of interest shown by insurance agents.

By popularizing subsidized schemes the objective of widespread rural insurance coverage can be achieved.

Subsidized rural life insurance schemes can become popular if the agents are provided with extra incentives.
APPENDIX-2

QUESTIONNAIRE TO AGENTS

1. Do you sell policies to the rural people?
   1. YES            2. NO

2. What percentage of your policies is approximately sold in rural areas?
   1) 5 - 10%          2) 10 - 20%          3) 20 - 30%          4) 30 - 40%          5) 40 - 50%

3. Do you feel that there is a necessity to design cost effective policies in rural areas compared to the policies of urban areas?
   1. YES            2. NO

4. Do you think that the existing rural policies of different companies are really designed to suit the specific needs of the rural people?
   1. YES            2. NO

5. (i) Do you feel that the list of riders to life policies be increased?
   1. YES            2. NO
   (ii) If yes, what could be the riders?

6. What do you know about the life insurance needs of the rural people in general?

7. What do you suggest for collecting mechanism of premiums in rural areas?
8. Do you feel group insurance policy a better option for covering a homogeneous group of a village instead of selling individual policies?
   1. YES   2. NO

9. Have you found any remarkable differences in the products of different companies sold in the rural markets? If so, what are the differences?
   1. YES   2. NO

10. What are the difficulties in selling policies in rural areas?
    1. Illiteracy
    2. Lack of insurance awareness
    3. Lack of disposable income
    4. Lack of need based products

11. What type of existing policies do you suggest for selling in rural areas?
    1. Endowment
    2. ULIP
    3. Low premium term assurance policies
    4. Group policies

12. Do you think that the private companies and the LIC of India are really interested in selling policies in rural areas?
    1. YES   2. NO

12.a. If no, what is your suggestion to make insurance more popular in rural areas?

13. What suggestions do you make to reduce the cost of insurance of rural policy holders?
    1. Reduction in commission on rural policies.
    2. Selling term insurance plans.
    3. Any other.
13.a. What are the expectations of the rural policy holders as different from urban policy holders as perceived by you?

13.b. What are the special potentialities available in rural areas as against urban areas in selling policies?

14. Do you expect any extra incentive to promote rural policies in terms of commission or gift or recognition or awards?
   1. YES  2. NO

15. Do you think that the rural policy holders trust private companies as much as they trust LIC of India?
   1. YES  2. NO

15a. If no, state the reasons

16. How do the rural policy holders get attracted to life insurance?
   a) Word of mouth  b) Advertisements  c) Canvas by agents  d) Through the influence of opinion makers.

17. Do you feel that a good opinion maker in the village can influence the insurance decisions of the rural people?
   1. YES  2. NO

18. Do you think that rural people take policies more on trust and do not expect much of rebates as the urbanities usually do?
   1. YES  2. NO

19. Do you think the insurance agent’s caste / religion / sex etc can be made use of to influence the investment decisions of the rural people?
   1. YES  2. NO

20. What strategies do you suggest to make rural policies popular?

21. Any suggestion for premium structure of rural policies.
APPENDIX 3

Appendix 3A
Distribution of rural households (HHs) by income

<table>
<thead>
<tr>
<th>Annual income (Rs) at 1998-99 prices</th>
<th>Income class</th>
<th>1989-90(%HHs)</th>
<th>1998-99(%HHs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;=35,000</td>
<td>Low</td>
<td>67.3</td>
<td>47.9</td>
</tr>
<tr>
<td>35,001-70,000</td>
<td>Low Middle</td>
<td>23.9</td>
<td>34.8</td>
</tr>
<tr>
<td>70,001-1,05,000</td>
<td>Middle</td>
<td>7.1</td>
<td>10.4</td>
</tr>
<tr>
<td>1,05,001-1,40,000</td>
<td>Upper Middle</td>
<td>1.2</td>
<td>3.9</td>
</tr>
<tr>
<td>&gt;1,40,000</td>
<td>High</td>
<td>0.5</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: NCAER- Extract from the Rural Marketing Book, 2009 by Pradeep Kashyap and Siddhartha Raut, page 17

Appendix 3-B
Per Capita consumption expenditure per month (In Rs)

<table>
<thead>
<tr>
<th></th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>112</td>
<td>166</td>
</tr>
<tr>
<td>1991</td>
<td>281</td>
<td>458</td>
</tr>
<tr>
<td>2001</td>
<td>486</td>
<td>855</td>
</tr>
</tbody>
</table>

Source- NSSO- Extract from the Rural Marketing Book, 2009 by Pradeep Kashyap and Siddhartha Raut, page 17

Appendix 3-C
Composition of rural per capita consumption expenditure

<table>
<thead>
<tr>
<th></th>
<th>Food</th>
<th>Non-food</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>66</td>
<td>34</td>
</tr>
<tr>
<td>1991</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>2001</td>
<td>59</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: NSSO-Extract from the Rural Marketing Book, 2009 by Pradeep Kashyap and Siddhartha Raut, page 17
### Appendix 3D

**Human Development Index (HDI)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>0.26</td>
<td>0.44</td>
<td>0.3</td>
</tr>
<tr>
<td>1991</td>
<td>0.34</td>
<td>0.51</td>
<td>0.38</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td>0.47</td>
</tr>
</tbody>
</table>


### Appendix 3-E

**Human Poverty Index (HPI)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>53</td>
<td>27</td>
</tr>
<tr>
<td>1991</td>
<td>44</td>
<td>22</td>
</tr>
</tbody>
</table>


### Appendix 3-F

**Percentage share of the different sectors in GDP**

**(at 1993-94 prices)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary</th>
<th>Secondary</th>
<th>Tertiary</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>57.2</td>
<td>14.8</td>
<td>28</td>
<td>100</td>
</tr>
<tr>
<td>1980-81</td>
<td>39.7</td>
<td>23.7</td>
<td>36.6</td>
<td>100</td>
</tr>
<tr>
<td>2001-02</td>
<td>23.9</td>
<td>26.6</td>
<td>49.5</td>
<td>100</td>
</tr>
</tbody>
</table>

Changing Rural Customer Profile: A Case with Life Insurance

By K. Nagaraja Rao

The globalization and liberalization of Indian economy for the last two decades have had an equal impact on all industries and life insurance is no exception. The opening up of life insurance further fuelled the competition resulting in changing the preferences and perceptions of the customers which led the companies to shift their strategies in distribution management as well. An attempt is made in this article to study the changing behavioural shift of the customer preferences and the distribution strategies of the life insurance companies in the Indian life insurance market.

For studying the behavior of the rural customers, a study is made by contacting 500 customers of Bangalore and Kolar rural districts. Since almost all private life insurance companies have operations in these two districts, it provided an opportunity to study the customer preferences. For collecting the responses from the customers, ‘Cluster Sampling’ technique followed by ‘Simple Random Sampling’ is adopted to ensure the representation of the data for the whole population. Based on 2001 census, the villages contiguous from North West to South East point totaling approximately 20,000 population was identified as a cluster. From the data of insured population taken from the records of the agents, one out of 500 policy holders is taken out by simple random sampling to ensure that all policyholders in the population have an equal chance of being selected.

The secondary data is taken from insurance journals, magazines, insurance web sites and books on insurance.

The preferences of customers are changing towards investment policies in India. Customers also prefer annuities and family policies if the benefits are properly explained to them. In tune with the changing preferences, the distribution strategies also undergoing change. Bank assurance and alternate channels are on the ascendency and have great growth potential. Unlike in mature markets, the Internet business is yet to catch up in India.

The behavioral shift of the customers: The changing customer preferences can be studied under the following heads:

- Customer preferences for investment products (ULIPs).
- The general preference of annuities (pension plans).
- The preference towards comprehensive family plans.

Customer preferences for investment products: Insurance policies are perceived more as investments tools than pure risk coverage tools by an average customer. The policies are taken to boost finances then to cover the lives of the customers.

World Insurance report, 2006 says, "Our survey confirms customer perceptions about life products. Among respondents to our customer survey in India, 88% said they use insurance primarily as a means to improve personal finances, compared with 11% of respondents from mature markets, where insurance is seen first and foremost as a way to protect possessions and family. During 2001 to 2007, the life insurance industry registered a growth of 41% in new business sum assured with premium registering 28% growth. If we analyze the growth carefully, it is evident that the growth is fueled largely by unit linked policies and single premium polices. While the ULIP business growth form 41.77% to 76.30% from 2005-06 to 2007-08, the traditional business declined from 58.23% to 29.70% in the same period. The Table 1 clearly shows these trends. Thus there is a shift in preference from traditional insurance to market oriented plans is quite prominent in the insurance market today.

General preference of annuities

With a view to understand the annuity requirements of the population, responses are elicited from the selected 500 customers and responses are tabulated in Table-2. The primary data shows that majority of the respondents intend to go for retirement benefit plans. More than 95% of the respondents wish to take pension plans on the whole. But from the secondary data it can be seen that the actual sale of pension plans is not popular with the insurance companies. The Oasis report, 2009 states that approximately 10 to 11% of the working population...
Table-1 – Trends of life insurance business

<table>
<thead>
<tr>
<th></th>
<th>ULIP Business %</th>
<th>Non Linked Business %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private companies</td>
<td>82.3</td>
<td>88.75</td>
</tr>
<tr>
<td>LIC of India</td>
<td>29.75</td>
<td>46.31</td>
</tr>
<tr>
<td>Industry total</td>
<td>41.77</td>
<td>56.91</td>
</tr>
</tbody>
</table>


Table-2 – showing number of respondents interested in annuities

<table>
<thead>
<tr>
<th>Name of the district</th>
<th>Number of respondents</th>
<th>Number of respondents</th>
<th>Percentage</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore rural</td>
<td>240</td>
<td>10</td>
<td>96.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Kolar rural</td>
<td>238</td>
<td>12</td>
<td>95.2</td>
<td>4.8</td>
</tr>
<tr>
<td>Total</td>
<td>478</td>
<td>22</td>
<td>96.6</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Note: *Interested in pension products; ** not interested in pension products
# Number of respondents opting pension products
# Percentage of respondents not opting pension products

Table-3 – Showing the commission structure for life insurance products

<table>
<thead>
<tr>
<th>Name of the product</th>
<th>First year commission</th>
<th>Second year commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension plans</td>
<td>7.50%</td>
<td>2%</td>
</tr>
<tr>
<td>Unit linked plans</td>
<td>25%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Section 40A(1) of Insurance Act, 1938 (Tamil Nadu’s Insurance Law Manual)

Table-4 – showing percentage of respondents who prefer family policies and individual policies

<table>
<thead>
<tr>
<th>Name of the district</th>
<th>% of respondents willing to take family policies</th>
<th>% of respondents willing to take individual policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore rural</td>
<td>70.4</td>
<td>29.6</td>
</tr>
<tr>
<td>Kolar rural</td>
<td>68.4</td>
<td>31.6</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>69.4</td>
</tr>
</tbody>
</table>

Table-5 – showing level of awareness of rural people in Internet usage for payment of premiums (Number of respondents)

<table>
<thead>
<tr>
<th>Name of district</th>
<th>Internet option of premium payment is comfortable</th>
<th>Internet option of premium payment is difficult</th>
<th>Internet option is not known</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore rural</td>
<td>38</td>
<td>42</td>
<td>170</td>
<td>250</td>
</tr>
<tr>
<td>Kolar rural</td>
<td>52</td>
<td>58</td>
<td>140</td>
<td>250</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100</td>
<td>310</td>
<td>500</td>
</tr>
</tbody>
</table>

Table-6 – Showing the intention of the customers to derive commission out of the sale of the policies (Number of respondents)

<table>
<thead>
<tr>
<th>Name of district</th>
<th>Multi level marketing is beneficial</th>
<th>Multi level marketing is not beneficial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore rural</td>
<td>168</td>
<td>82</td>
<td>250</td>
</tr>
<tr>
<td>Kolar rural</td>
<td>198</td>
<td>52</td>
<td>250</td>
</tr>
<tr>
<td>Total</td>
<td>366</td>
<td>134</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: Primary data.

Low payment of commission in respect of pension products is one of the reasons for less popularity of pension products.

Table-3 shows the commission structure for life insurance products.

Family policy is a single policy covering the risk of all the members of the family at a stretch. These policies are not popular in India but are available in matured markets. Once the advantages are explained to the respondents, they were eager to embrace the policies. The responses of the 500 respondents are tabulated in Table-4.

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 thereby reducing the risk profile of the insurer, African Life Insurance Co entered the HIV/AIDS-ridden low and 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 have micro insurance prototype of family policy – All Lanka Mutual Assurance Organization’s (ALMАО) 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 (Source: Protecting the poor – a micro insurance compendium by Craig Churchill, an ILO publication). Insurance companies need to understand the behavioral thinking of the customers and design need based products for wider coverage.

Changing distribution strategies

In tune with customer preferences, the distribution strategies are undergoing tremendous shift now a days. The concept of agency channel is slowly losing ground. Bank assurance, e-assurance and alternate channel are becoming the preferred modes for insurance destination. The changing distribution strategies can be studied under the following heads. * Ascendence of bank assurance, * Usage of Internet business, * The inclination in net work marketing.

Ascendence of bank assurance

Bank assurance is catching attention with most of the private players in India. The share of bank assurance of many companies except LIC of India is perceptibly high. It indicates the waning influence of agency channel in future years. The reason for ascendancy of this channel is the trust developed by villagers in the banks and the products sold by bankers are viewed as trust worthy investments by the villagers.

Usage of Internet business in life insurance

In mature markets 11% of the business is processed through internet. The World Insurance Report, 2008 analysis of purchasing behavior shows that, on aggregate, across life and non-life, 11% of policies are purchased online today. By contrast, 56% of policies are bought online by the segment of the population that uses the internet (not necessarily exclusively) to inform their insurance purchasing decisions. To analyze the trends in India, a specific question is asked to the 500 responds as to the usage of Internet business and the results are tabulated.

Table-5 is intended to analyze the awareness of Internet usage by the rural customers for payment of the premiums. In Bangalore rural only 38 persons out of 250 respondents are comfortable in Internet usage. Similarly in Kolath rural only 52 out of 250 respondents are familiar with Internet option of payment of premiums. 85% of Bangalore rural and 79% of Kolath rural are not familiar with or not knowing this option. The result thus show that e-business has not yet gained momentum in India. Insurers need to educate the customers in this low cost technique and encourage the sale of policies through Internet.

Inclination towards network marketing.

Alternate channels are becoming much popular in matured markets. With a view to elicit information as to whether customers prefer selling the products by earning commission, a specific question, ‘whether you prefer the sale of policies and earn commission’ is asked to customers after explaining the features of multi level marketing. The results are tabulated in Table-6. 168 out of 250 respondents of Bangalore rural constituting 67.2% and 196 out of 250 respondents of Kolath rural constituting 79.2% opine that getting rewards by sale of policies would be beneficial for them.

It 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 moral hazard. There could be an argument that in the absence of an authorized agent, who can certify the bonafides (his health conditions and financial soundness for deciding capacity to contract) of the customer? - But if we analyze the modern practices of marketing life insurance, we find that bank assurance is contributing more than 60% 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 company's I Gain are sold through Internet. Nobody is testifying the MHR in these cases. Further, life 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 off the moral hazard. In this scenario, there can not be any reason not to trust the villager if he wishes to introduce new policy holders. By rewarding each policy holder and by encouraging new sales, the insurance coverage to majority of rural policy holders could become a reality. The companies can limit the amount of insurance in the MLM model and start issuing policies on large scale.

Summary

It is concluded that the preferences of customers are changing towards investment policies in India. Customers also prefer annuities and family policies if the benefits are properly explained to them. In tune with the changing preferences, the distribution strategies are also undergoing change. Bank assurance and alternate channels are on the ascendancy and have great growth potential. Unlike in mature markets, the Internet business is yet to catch up in India.

References

Challenges in Designing Need Based Products in ILife Insurance for Inclusive Growth in India

By K. Nagaraja Rao

The liberalization of Indian economy has far reaching consequences on the pace of life, particularly in rural India. Rural India has been witnessing far reaching changes which are unfamiliar in the past few centuries. The bottom of the pyramid is suddenly charged with vibrancy and increasing attention is given by the industrialists, MNCs and policy makers. The increasing attention is not as a matter of charity but with a vision for inclusive growth and boosting the bottom lines. The saturation of the markets in the west also accelerated interest towards rural India. The six lakh villages with nearly 742 million consumers beacon hope for many industries, FMCG companies and financial institutions such as banks and insurance companies. An attempt is made in this article to assess the potential of the life insurance market in the rural areas and evaluation of the marketing strategies of life insurance companies in designing need based products suiting to the consumer needs and interests. A few suggestions to life companies are also provided in designing products for greater rural penetration.

"Pade pade cha ratnani, Yojana rasakoopika, Bhagyaveena na paysathil, Bahu ratna Vasundhara".

The land is full of opportunities. This simple Sanskrit stotra summarizes the story of rural India.

The declining poverty rates,

* The percentage of people below the poverty line declined from 40% in 1993 to 27% in 1996-2000
* The governmental allocation to agriculture increased from 105 billion rupees in 1985-90 to 589 billion rupees in 2002-07. The corresponding figures towards rural development are 89 billion and 1219 billion rupees.

While the contribution of primary sector to GDP declined from 57.2% to 23.9% from 1950-51 to 2001-02, the tertiary sector showed an improvement from 28% to 49.5% in the same period.

These three parameters indicate that the rural economy has progressed from 'barter economy' to 'cash rich economy' and the rural India has undergone tremendous structural shift from farm based to service economy.

But the rural market is still enigmatic. The rural customer is not an extension of urban customer as 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. The income variations among villages of different states are quite high. While the per capita rural income of Chandigarh is Rs 27,256, the per capita rural income in Orissa is Rs 5,704. 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.

Life insurance industry in India

Life insurance industry in India, is a sunrise Industry. It implies that the potential for growth is tremensous. The insurance sector which was opened up for private participation in the year 2000 has completed nine years in the liberalized environment. Twenty two life insurance and nine general insurance companies have been granted licenses as on 31.03.2009 to conduct insurance business.

May 15, 2010

SOUTHERN ECONOMIST
A capital amounting to Rs. 9,625.26 crore was brought in by private players of which the contribution of foreign partners has been 2,174.28 crores as on 31st March, 09. The average annual growth of first year premium in the life insurance segment worked at 47.06 percent and in the non-life segment was 18.67 percent. The industry services the largest number of life insurance policies in the world.

The growth of life insurance industry in terms of branch expansion can be gauged from the Table-1.

**Rural Penetration**

The insurance business has been registering an impressive growth since the liberalization of this sector in 2000. The insurance penetration of premium volume as ratio of GDP (Gross Domestic Product) for 2006 stood at 4.10% for life insurance and 0.60% for non-life insurance. The level of penetration particularly in life insurance tends to rise as income levels increase. India with its huge middle class house holds has exhibited growth potential for the insurance industry. Saturation of markets in many developed economies has made the Indian market even more attractive for foreign players.

Though all private players and the LIC have surpassed the rural targets as prescribed by the guidelines of IRDA, the gross realizations of rural life insurance scenario are as follows:

a) Nearly 72% of Indian population resides in villages, with over 60% of them earning less than Rs. 6,000/- per month.

b) Life Insurance penetration as number of policies sold to total rural population is approximately 25% as at 31/03/09. (Source: Life Insurance in India by H.Sadhak, Response Business books, 2009, page no 139).

c) The Public sector LIC though could boast of selling social security coverage to nearly 1.2 crore BPL families, yet it represents over 20% of 5 crores such families.

d) The awareness of social security schemes is very low in the rural areas.

e) The rural penetration is on the whole has broadly catered to the rural rich; and rural poor with lesser income levels are yet to taste the growth story of life insurance. The following table clearly illustrates that only 13% and 24% of rural households with incomes less than Rs. 90,000 annual incomes have insurance policies.

This indicates the growing rural influence of the availability of high potential for life insurance in the rural sector.

The marketing challenge lies in creating awareness and design the products according to the needs and requirements of the rural people. This includes customization, product pricing, distribution, internal processes and promotions. The cost effective distribution mechanisms and designing of micro insurance products help in passing on greater benefits to the rural people.

The existing rural products of different players: The rural market for life insurance is very different from the urban market in terms of needs, income levels and distribution (seasonality for example), penetration of media, awareness and so on.

**Micro Insurance Products**

The LIC of India has introduced a special Micro Insurance Plan – Jeevan Madhur in September, 2006 with premium as low as Rs. 100/- per month. In less than 2 years of its launch, nearly 15.5 lakh lives have been covered in rural areas. LIC of India also launched one more micro insurance plan in 2009 namely, Jeevan Mangal. For Jeevan Madhur premium payment term can be selected from weekly, fortnightly, quarterly, half yearly or yearly.

The success of Micro Insurance in India is still in nascent stage. The full potential is not tapped for the following reasons.

* The life insurance industry excepting LIC of India has not taken micro insurance seriously. The important marketing strategy of the private players is to get big premiums from High Net Individuals (HNIs) to boost sales volumes. Even if rural markets are tapped, the concentration is on the rural rich to boost premium incomes.

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* Client and location specific micro insurance products are not launched catering to heterogeneous needs of the rural customers.

* Bundling of inputs, in which several related items are sold like arranging credit, after sales service, covering insurance etc are not launched in India aggressively. Sequentia's Provision Familiar or Family Plan covers up to five persons for coverage like medical consultations, diagnosis examinations, medical emergency services, medical care as a result of accidents, and hospitalization as a result of illness or accident and funeral services.

* Products are not designed for specific needs like child education, daughter's marriage etc. ALMACO in Sri Lanka, for example, launched a children policy, "Senehaa". The plan pays benefits to the children of the insured if the parent dies during the term of the policy. What is unique in the policy is that, instead of paying a lump sum amount, 20% of the amount is paid on death and the rest of the amount is paid in equal annual installments. This provides some ongoing financial support to the children of the bereaved family.

Similarly Delta Life in Bangladesh has developed a daughter's marriage endowment policy where in the death benefit is payable when the daughter attains the age of 18. As part of social engineering, Delta Life also introduced a family planning policy which paid higher sums insured to policyholders who had fewer children. The Indian life insurance companies have yet to design and develop these types of micro insurance products for rural areas.

* Micro insurance products lack innovation in collection mechanism with people having no access to formal banking systems. For example, African Life found that many clients for one of its low end products in South Africa had a common regular practice of visiting church at every weekend. So it issued pass books to customers which they used to stamp at the church when they pay their weekly premiums (Protecting the Poor- A Micro Insurance Compendium by Craig Churchill, p 155).

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

Traditional products catering to the rural poor

LIC of India has certain definite marketing strategies for the rural areas in designing the products and in positioning the product in rural markets. For example, its New Jana Raksha product is designed for seasonal income variations and allows the policy to continue to be in force even if three years premium are not paid due to vagaries of monsoons provided the policyholder has paid at least 2 yearly premiums.

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

Max Vijay is an innovative product designed by Max New York Life for financial inclusion of under privileged masses. Keeping in view the savings and protection needs of the people, three premium payment options are provided with minimal premiums of Rs 1000/ Rs 1500 and Rs 2500 per year. Renewal Premiums can be paid from Rs 10 to Rs 250 per day depending upon the availability of the disposable income. The policy does not lapse as long as there is sufficient value in policy account. No medical report is also required.

(Source: Max Newyork Life website)

Other life insurance players have not paid much attention to the rural sector apart from designing micro insurance products. In other words, these players have no exclusive traditional product or positioning strategy for rural clientele. Prof. G.K. Prahallad rightly observes that rural market can be highly profitable if one is able to carefully plan and tailor an entire set of low cost activities of advertising, distribution, and product design etc to successfully exploit the potential. Hence 'One Size Fits All' strategy simply will not work in rural areas.

Suggestions

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
The broad categories could be as follows:

1. Landless agricultural laborers depending on daily labor for sustenance.
2. Farmers depending on agricultural and related activities.
3. Rural artisans.
4. Households with additional income by way of earnings of children working in urban centers.
5. Landlords with a lot of disposable incomes.
6. Workers in unorganized sector such as bidi workers, carpenters, construction workers, fishermen, handicraft artisans, handloom workers, leather and tannery workers, paper makers, primary milk producers, salt growers, sericulture workers, sugarcane cutters, tendon leaf collectors, toddy tappers, vegetable vendors, flower sellers, washer woman 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 1 below is in tune with socio-economic classification.

Need of special comprehensive products

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 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 thereby reducing the risk profile of the insurer. Aflac Life entered the HIV/AIDS ridden low and 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 protects the family members from repayment risks. This policy ensures covering all non earning women and children who are otherwise not insurable.

Another variety of rural oriented low price 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 publics 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 credit 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 what is needed at rural areas is emotional security faced with economic security.

For example, Sen'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 Bijnam in madhakki (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 Madhakki 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 Ramzan 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 donor 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.

Conclusion

There is large untapped rural potential in the life insurance market. This is yet to be discovered and explored. Though most of the life insurance companies surpassed the rural targets, the insurance penetration is still ranging around 25% of the insurable population. The awareness levels of life insurance in the rural areas are low. The policies of life insurance companies are still not rural centered catering to the specific needs of the people. With a view to popularize life insurance, the companies need to study the rural market, analyze the specific needs of each segment and design innovative products suitable to the requirements of the people with the objective inclusive growth. 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.

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Appendix-6

Article published in IRDA journal, July, 2010

Customer retention is the uppermost concern for any industry and insurance is not an exception to this general rule. An informed and satisfied customer is a brand ambassador for the industry. The opening up of insurance industry in the last one decade to private players and the establishment of IRDA are the landmark events in the insurance sector towards innovations in designing need-based policies and laying down regulatory obligations towards policyholder protection. An attempt is made in this article to analyze the existing policyholder protection mechanism on the basis of secondary data and the rural realities through primary data collected from 500 policyholders of two rural districts of Karnataka.

Methodology for collecting primary data:
For studying the behavior of the rural customers, a study is made by contacting 500 customers of Bangalore rural and Kolar rural districts. Since almost all private life insurance companies have operations in these two districts, it provided an opportunity to study the customer preferences. For collecting the responses from the customers, ‘Cluster Sampling’ technique followed by ‘Simple Random Sampling’ is adopted by the author to ensure the representation of the data for the whole population. Based on 2001 census, the villages contiguous from North West to South East covering approximately 20,000 population were identified as a cluster. From the data of insured population taken from the records of the agents, one out of 500 policyholders is taken out by simple random sampling to ensure that all policyholders in the population have an equal chance of being selected. The secondary data is taken from insurance journals, magazines, insurance websites and books on insurance.

Introduction:
Policyholders pay for a future promise that is redeemable at a later date. The intangibility of the product is an added concern and people in general still prefer to keep insurance as a last priority. The low levels of awareness about insurance and the regulating body tend to keep them investing in government companies and also in government brand companies. The regulatory mechanisms relating to policyholder protection are confined to urban environments and there is a need to address rural policyholders in this aspect.

Limitations:
- The results obtained are based on the information provided by the customers and agents of life insurance at the time of survey.
- The area covered is representative and not exhaustive.

- As it is not possible to cover the entire population of customers, a cluster sampling method of population is adopted to select the clusters; and questionnaires are collected from 250 Bangalore rural district and 250 Kolar rural district customers, selected by simple random sampling to represent the whole population of these two rural districts.

The existing policyholder protection mechanisms

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

The public sector life insurance behemoth has developed and perfected a robust claim intimation procedure. An auto list of claims payable for the entire year is generated at the beginning of the year itself. At least 3 months in advance one more auto list with additions and deletions is generated at the policy servicing department for sending auto-generated letters. If requirements do not come forth at least a month before the due date, a registered letter is sent and would be entrusted to the agent. Vigorous follow up is made until the requirements are received; and claims are settled within one month before due date. For all survival benefits up to Rs.2 lakh, a hassle-free settlement without calling for the basic requirements of policy bond and discharge voucher is devised. For death claims, all not early claims that arise after two years from the date of acceptance of risk need to be settled immediately on the strength of abridged claimant form (Claim form A) and death certificate. (Source: The Stream by V.V.S. Rama Sharmal)

For any repudiation of claim, the corporation writes a detailed letter to the claimant stating therein the reason for repudiating the claim. It is compulsory for the insurer to provide the address of Claims Review Committee for appeal in case the claimant prefers an appeal. On receiving the appeal, the Review Committee, consisting of Zonal officials and the retired judges of District Court or High Court once again go through the claim papers and review the decisions of the lower office. If the claim is still not payable, the claimant is given the option to appeal to the Chairman. The repudiations are however very few. All this ensures trust in the minds of the people.

In order to solve customer grievances, a grievance redressal mechanism is also perfected with the formation of various forums at different levels of operation – starting from the branch office right up to the corporate office. A Citizen's Charter also is in place which reiterates its commitments to customers and the standards for general procedures, the standards of policy servicing, the standards for easy access to information and standards for fairness in dealing with customers. All this goes to instill trust in the general public.

Some of the private players have developed a robust IT department and generate claim intimation letters in advance. To avoid pitfalls and loopholes, there is an IT backed initiative of generating policy specific claim forms with bar codes to be dispatched to the claimants. This ensures curbing the unethical practice of not registering claims until receiving the requirements at the branch level for avoiding delays.

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

The marketing problems:

a. In order to understand the pattern of life insurance sales in rural areas, a specific question (question not asked to the policyholders) and the results are tabulated and discussed in the following Table 1.

<table>
<thead>
<tr>
<th>Name of the District</th>
<th>Agents resorted to mis selling</th>
<th>Agents not resorted to mis selling</th>
<th>Percentage of agents who resorted to mis selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore Rural</td>
<td>128</td>
<td>122</td>
<td>51.20%</td>
</tr>
<tr>
<td>Kolar Rural</td>
<td>101</td>
<td>149</td>
<td>40.40%</td>
</tr>
<tr>
<td>Totals</td>
<td>229</td>
<td>271</td>
<td>45.80%</td>
</tr>
</tbody>
</table>

Source: Primary data.
51.20% of Bangalore rural and 40.40% of Kolar rural customers felt that the agents sold the policies by distorting facts of the policies. Though there is a provision in the policy terms and conditions that the policyholders can take full refund of the premiums within the cooling period of fifteen days from the date of receipt of the policy bond which is also called as free look cancellation, this is rarely done in rural areas, thanks to low levels of insurance awareness. Most of the people do not read the terms and conditions in full. Some normal deceptive sales practices are as follows:

- Canvassing single premium policies and while presenting the proposal, the mode of premium is mentioned as regular. Policyholder will generally know the deceptive sale when he receives renewal notice. Since the commission for single premium is less (only 2%) when compared regular mode (ranging 13% to 35%), agents sometimes resort to this deceptive selling.

- Canvassing one product and taking signature of the customer for another product.

- Forging customer signature in benefit illustrations presented to the companies.

- Unofficial benefit illustrations with rate of yields showing 18% to 24% which are normally not attainable.

- Canvassing high sum assured for low premiums to attract customers, who in the process, would not know that more mortality charges would be deducted for higher sum assured.

- In Bancassurance, the documents provided by the customers for some purpose are mis-utilized for getting new policies.

- Presenting a healthy customer before medical examiner in place of the real customer who has medical history of major diseases to ensure issuing of policy.

b. Insurance Regulatory and Development Authority (IRDA) was established by an act of Parliament (IRDA Act, 1999) to protect the interests of the policyholders 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 malpractices. A question 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 do not believe in the efficacy of IRDA in safe guarding their investments. It can be referred from Table 2.

<table>
<thead>
<tr>
<th>Name of the District</th>
<th>Number of respondents</th>
<th>Values in percentages.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IRDA can guarantee investments</td>
<td>IRDA cannot guarantee investments</td>
</tr>
<tr>
<td>Bangalore rural</td>
<td>119</td>
<td>131</td>
</tr>
<tr>
<td>Kolar rural</td>
<td>121</td>
<td>129</td>
</tr>
<tr>
<td>Total</td>
<td>240</td>
<td>260</td>
</tr>
</tbody>
</table>

Source: Primary data.
It can be seen from the above that the majority of the rural customers still doubt the efficacy of regulating body. If this is the case, the rules framed for policyholder protection are not taken with all seriousness in the rural areas. They still look at only government companies with respect before investing their hard earned monies.

It can be assumed that customers in rural areas still go by brand name before investing. An analysis of the marketing problem from the primary data indicates that the insurance awareness levels are still low and customers buy and large go by brand image and tend to invest in government companies. The role of IRDA is still not well appreciated. In this background it is doubtful whether regulatory protections have their impact on the rural customers.

c. The regulatory protections:

The Insurance Regulatory and Development Authority (IRDA) has been consistently taking efforts and imposing regulatory obligations to all insurers with a view to protect the interests of the customers. Some of the important measures are as follows:

- A mandatory pre-recruitment training to agents to professionalize the agency force.
- The obligation of the agent to disclose his commission structure.
- The need of dispatching the photo copy of the proposal to the customer along with the policy bond.
- The necessity of obtaining duly signed benefit illustration before the issue of the policy.
- Capping of expenses under ULIPs.
- The disclosure norms with regard to company profile; which, inter alia seek the companies to disclose company financials, shareholding pattern, the management structure to the IRDA.
- The disclosure norms with regard to investment profile, the net asset values, the assets under management etc.

- The disclosure norms with regard to solvency margins and solvency ratios.
- The grievance redressal structure, the pending complaint details and the efficacy of the company in closing the complaints through the satisfaction of the customers.
- Five years lock in period for ULIPs.

The initiatives of the regulatory body are laudable from the perspective of the policyholder. They have certainly minimized the deceptive selling and helped in better yields to the customers.

d. Some suggestions for better customer protection:

The initiatives of the regulatory body are laudable from the perspective of the policyholder. They have certainly minimized the deceptive selling and helped in better yields to the customers. Still in order to increase insurance awareness and for better protection norms, the following points may be thought of:

- The IRDA can unleash a publicity campaign in mass media such as print media (newspapers 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 Redressal Mechanism available for grievances and the role of the regulatory authority in the policy document in a separate ink and font understandable in the local language.
- A disciplinary mechanism should be introduced in the system to check wrong selling of policies and each company has to provide the statistics related to free look cancellation of policies related to deceptive selling and the action taken report thereon.
- The IRDA can think of networking with the systems of insurance companies and personally supervise the grey areas viz, free looks,
claims repudiations, customer complaints and certain other things.

- In order to educate the rural customers, a consortium of all insurance companies may be encouraged and the object of the consortium would be to educate the customers with pure professionalism.

- Encourage the companies to print the policy bonds both in English and the regional languages for better understanding by the customers.

- The training to agents may be re-oriented in rural marketing, rural product need analysis, the rural aspirations etc. The consortium of life insurance companies can think of establishing a Rural Insurance Academy on the lines of NIA, Pune exclusively for the training needs of rural agents.

- Ambiguity in nomenclature, allocations, charges levied, periodicity of charges etc. are to be carefully monitored by IRDA; and a note of the IRDA about the particular product be attached to the policy document for more clarity for the benefit of the customers.

Summary:
An analysis of primary and the secondary data indicate that there is much to be done at the ground level. The insurance awareness in rural areas is still low and the efficacy of IRDA in guaranteeing the returns is yet to be appreciated by the majority. The deceptive selling is still practised and very little has been done on this front. The regulations on policyholder protection, though laudable, are still urban-centric in the absence of low insurance literacy. The IRDA needs to take proactive steps in insurance education and monitor the grey areas of the insurance companies with an eagle eye to ensure that the regulations are not a myth but a reality.

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